

道からはじまる街づくり

Fiscal year ended March 31, 2024 Financial Results Briefing

May 23, 2024



日本道路株式会社

(Securities code: 1884)

<Table of contents>

Financial results overview for the fiscal year ended March 31, 2024	◆ Business environment and results trends for the fiscal year ended March 31, 2024	1
	◆ Financial results for the fiscal year ended March 31, 2024	2
	◆ Business results trends by segment (1): Construction business	3
	◆ Business results trends by segment (2): Material sales business	10
	◆ Business results trends by segment (3): Leasing business, etc.	11
	◆ Analysis of factors affecting profit	12
	◆ Balance sheet	13
	◆ Cash flows statement	14
Financial results forecast for the fiscal year ending March 31, 2025	◆ Financial results forecast for the fiscal year ending March 31, 2025	15
	◆ Measures by segment (1): Construction business	16
	◆ Measures by segment (2): Material sales business	17
	◆ Measures by segment (3): Co-creation business	18
	◆ Analysis of factors affecting profit forecasts for the fiscal year ending March 31, 2025	19
Mid-term Management Plan	◆ Mid-term Management Plan 2024 (FY2024-2026)	
Reference materials	◆ Corporate overview	

Financial results overview for the fiscal year ended March 31, 2024

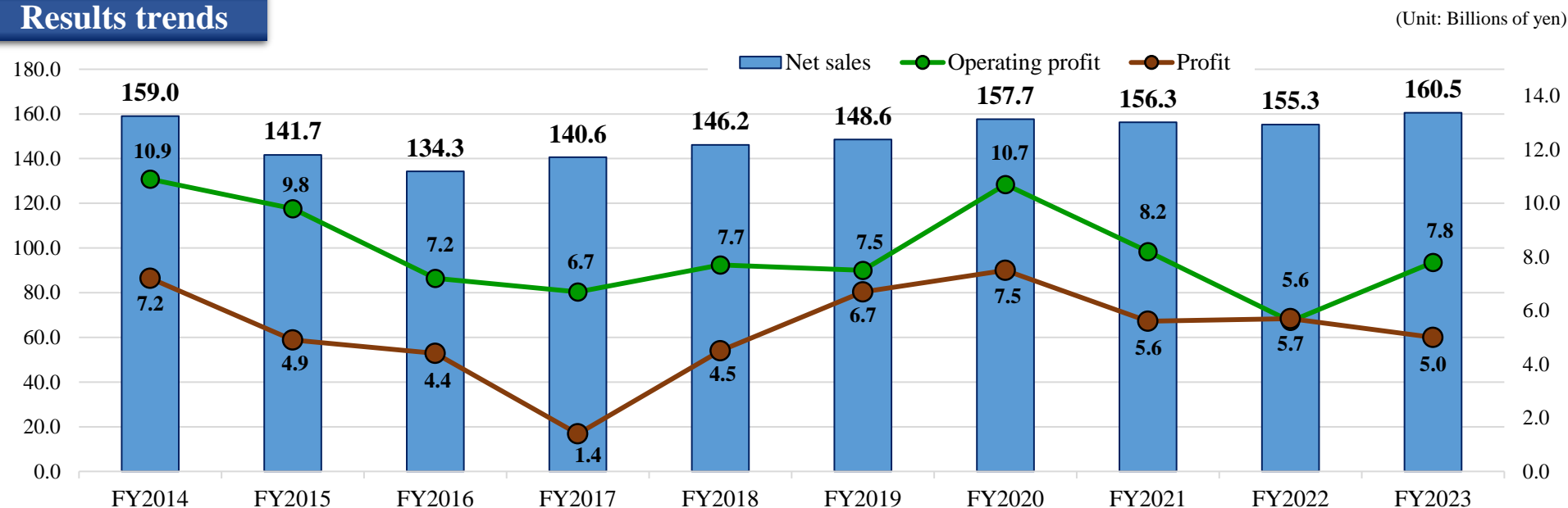
<Business environment and results trends for the fiscal year ended March 31, 2024>

Business environment

The Japanese economy in FY2023 showed signs of recovery, mainly in private sector demand such as personal consumption and capital investment with the normalization of economic activities, the improvement in the employment and income environment, and progress in price pass-through, despite surging raw material prices, the progression of the depreciation of the yen, and geopolitical factors

In the construction industry, the main business of the Group, government construction investment continued to remain above ¥20 trillion, and although there were concerns about the surge in raw material prices, private sector construction investment remained firm as capital investment for corporations remained strong against a backdrop of steady corporate revenue.

Results trends



<Financial results for the fiscal year ended March 31, 2024>

- FY2021: Profits declined owing to higher crude oil prices (consolidated)
- FY2022: Operating profit and ordinary profit lower owing to higher crude oil prices
Final profits slightly higher due to gain on sale of investment securities (consolidated)
- FY2023: Orders and profit both increased in the construction business, while volume declined in the material sales business, struggling with the impact of changes in exchange rates and crude oil prices

(Unit: Millions of yen)

<Consolidated>	FY2021 results		FY2022 results		FY2023 results		YoY change
Orders received (Construction business)	120,340		127,896		143,513		12.2%
Total net sales	156,379		155,353		160,519		3.3%
Gross profit	10.9%	16,968	9.7%	15,059	11.4%	18,264	21.3%
Selling, general and administrative expenses	5.7%	8,765	6.0%	9,363	6.5%	10,430	11.4%
Operating profit	5.2%	8,202	3.7%	5,695	4.9%	7,833	37.5%
Ordinary profit	5.5%	8,582	3.8%	5,920	5.0%	7,994	35.0%
Profit	3.6%	5,667	3.7%	5,704	3.1%	5,053	(11.4)%

<Non-consolidated>	FY2021 results		FY2022 results		FY2023 results		YoY change
Orders received (Construction business)	105,591		112,337		128,970		14.8%
Total net sales	135,113		135,142		140,116		3.7%
Gross profit	9.8%	13,303	8.6%	11,573	10.3%	14,386	24.3%
Selling, general and administrative expenses	5.4%	7,310	5.8%	7,855	6.3%	8,824	12.3%
Operating profit	4.4%	5,993	2.8%	3,717	4.0%	5,561	49.6%
Ordinary profit	4.7%	6,287	2.9%	3,901	4.0%	5,667	45.3%
Profit	3.1%	4,175	3.3%	4,448	2.6%	3,611	(18.8)%

<Business results trends by segment (1): Construction business>

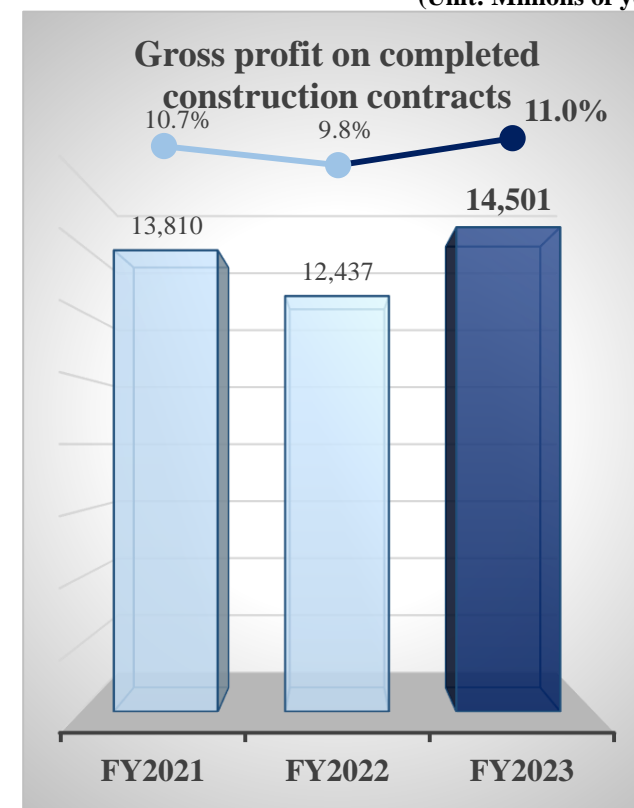
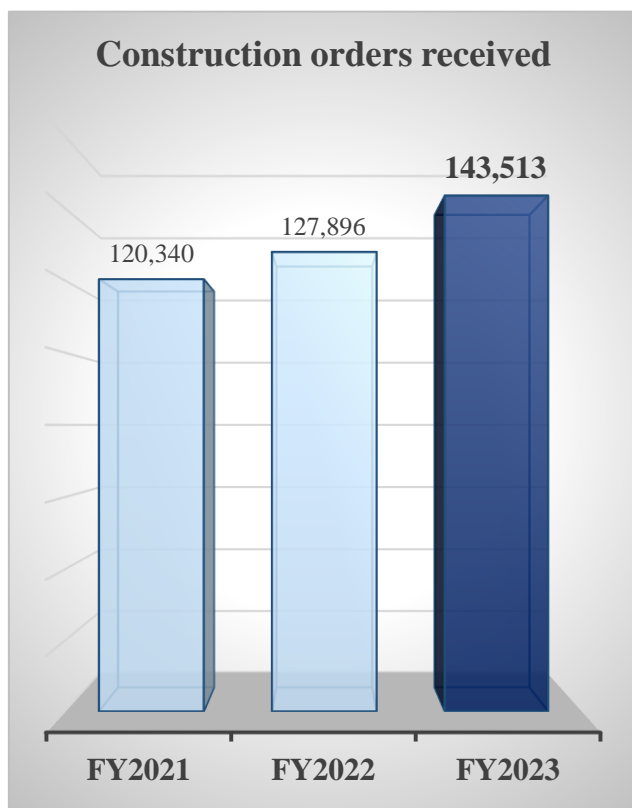
[Construction business] [Consolidated]

(Unit: Millions of yen)

<Consolidated>	Construction orders received	Net sales of completed	Gross profit on completed construction contracts	
FY2021	120,340	129,532	10.7%	13,810
FY2022	127,896	126,743	9.8%	12,437
FY2023	143,513	131,578	11.0%	14,501

- Construction orders received: Led by orders for large-scale public construction and private construction
- Net sales of completed construction contracts: Progress accelerated on construction ordered in FY2022, contributed to by strengthening of construction structure
- Gross profit on completed construction contracts: Profitability improved due to appropriately passing on prices to customers and revision of construction management

(Unit: Millions of yen)



[Construction orders received (1)] [Non-consolidated]

Construction orders received by construction type

(Unit: Millions of yen)

Construction type	FY2021		FY2022		FY2023	
	Results	YoY change	Results	YoY change	Results	YoY change
Pavement construction	72,106	(11.4)%	73,201	1.5%	81,973	12.0%
Civil works construction	32,999	(7.2)%	38,426	16.4%	46,978	22.3%
Construction	485	(70.7)%	709	46.1%	19	(97.3)%
Total	105,591	(11.0)%	112,337	6.4%	128,970	14.8%

- FY2021: Orders for NEXCO and public construction were weak (Pavement)
: No orders for large-scale projects (Civil works)
- FY2022: Owing to large-scale development construction, etc. (Civil works)
- FY2023: Orders for NEXCO and public construction were strong (Pavement, Civil works)

Key construction orders in FY2023

Client	Name of project	Location
Ministry of Land, Infrastructure, Transport and Tourism Hokuriku Regional Development	2023 pavement repair works within the maintenance jurisdiction of Shibata	Niigata
Central Nippon Expressway Company Limited	TOKAI-KANJO EXPWY paving works between Yamagata IC and Itonuki IC	Gifu
Ministry of Defense Okinawa Defense Bureau	ASDF Naha Base (5) civil and other works, including parking apron repair work	Okinawa
Satoe Gakuen Educational Institution	Heisei International University soccer and baseball grounds repair works	Saitama
Shimizu Corporation	Abukuma Wind Power Plants construction works	Fukushima

[Construction orders received (2)] [Non-consolidated]

Construction orders received by client

(Unit: Millions of yen)

Client		FY2021			FY2022			FY2023		
		Results		YoY change	Results		YoY change	Results		YoY change
Public construction orders received										
Ratio	Public total	32%	33,592	(32.5)%	35%	38,892	15.8%	40%	51,747	33.1%
Private construction orders received										
Ratio	Private total	68%	71,999	4.6%	65%	73,445	2.0%	60%	77,223	5.1%
Public and private total										
Total orders received			105,591	(11.0)%		112,337	6.4%		128,970	14.8%

- FY2021 : Orders for NEXCO and public construction were weak (Public)
: Recovery trend YoY amid spread of COVID-19 (Private)
- FY2022 : Strong public orders including Ministry of Defense (Public)
: Although companies remain cautious for capital expenditures, secured orders on par with the previous fiscal year (Private)
- FY2023 : Orders for NEXCO and public construction were strong (Public)
: Orders for private construction including the three priority sectors also remained strong (Private)

[Construction orders received (3)]
[Non-consolidated]

- Automotive-related construction: Pavement construction for test courses and plants
- Sports-related construction: Sports facilities construction such as various stadiums, school grounds, and tennis courts
- Logistics-related construction: Pavement construction for logistics facilities

Construction orders by three priority sectors

(Unit: Millions of yen)

Sector	FY2021		FY2022		FY2023	
	Results	YoY change	Results	YoY change	Results	YoY change
Automotive-related construction	2,515	(36.9)%	2,133	(15.2)%	2,038	(4.5)%
Sports-related construction	3,385	134.3%	2,551	(24.6)%	3,161	23.9%
Logistics-related construction *1	5,656	36.0%	7,326	29.5%	7,240	(1.2)%
Total	11,556	20.5%	12,010	3.9%	12,439	3.6%

*1: Logistics-related construction includes other indirect orders in addition to direct orders.

Key orders received in FY2023 in three priority sectors

Sector	Client	Name of project	Location
Automotive-related construction	Honda Motor Co., Ltd.	Employee parking lot expansion construction	Tochigi
	Mazda Motor Corporation	Higashichiku Niho Center new sand fence construction	Hiroshima
	MITSUBISHI MOTORS CORPORATION	Takatsuki B District MP maintenance and exterior renewal construction	Osaka
Sports-related construction	Aoyama Gakuin School Corporation	V Wing Stadium turf laying work	Kanagawa
	Satoe Gakuen Educational Institution	Heisei International University soccer and baseball grounds repair works	Saitama
	Mino-Jiyu Gakuen Educational Institution	High school grounds artificial turf pavement	Osaka
Logistics-related construction	Fukuyama Transporting Co., Ltd.	Fukuyama Transporting Co., Ltd. Izumiotsu Office paving construction work	Osaka
	SGREALTY CO.,LTD.	Sagawa Express Marugame Sales Office pavement renewal construction	Kagawa
	Masukawa Construction Co., Ltd.	Daiichi Freight System, Inc Higashine warehouse new building construction	Yamagata

[Net sales of completed construction contracts] [Non-consolidated]

Net sales of completed construction contracts by construction type

(Unit: Millions of yen)

Construction type	FY2021		FY2022		FY2023	
	Results	YoY change	Results	YoY change	Results	YoY change
Pavement construction	76,352	(3.1)%	74,695	(2.2)%	75,455	1.0%
Civil works construction	36,042	12.7%	35,910	(0.4)%	40,082	11.6%
Construction	800	(38.0)%	679	(15.1)%	384	(43.4)%
Total	113,195	1.0%	111,285	(1.7)%	115,921	4.2%

- FY2021: Progress in large-scale projects on hand was steady (Construction)
- FY2022: Lower due to slower progress at the beginning of the fiscal year resulting from lower construction carried forward from the previous fiscal year
- FY2023: Progress in large-scale projects on hand was steady (Construction)

Key construction contracts completed in FY2023

Client	Name of project	Location
Ministry of Land, Infrastructure, Transport and Tourism Kinki Regional Development Bureau	Paving works at Shimoyama district, Arashima No.2 Tunnel, Ono-Aburasaka Road	Fukui
Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Development Bureau	New Chitose Airport South A10 taxiway outside construction	Hokkaido
East Nippon Expressway Company Limited	KAN-ETSU EXPWY pavement repair works within the jurisdiction of Takasaki	Saitama, Gunma, Tochigi
Honshu-Shikoku Bridge Expressway Company Limited	FY2022 SETO CHUO EXPWY pavement repair works	Okayama, Kagawa
Aoyama Gakuin School Corporation	V Wing Stadium turf laying work	Kanagawa

[Construction carried forward to next period] [Non-consolidated]

Construction carried forward to next period by construction type

(Unit: Millions of yen)

Construction type	FY2021		FY2022		FY2023	
	Results	YoY change	Results	YoY change	Results	YoY change
Pavement construction	42,836	(9.3)%	41,342	(3.5)%	47,860	15.8%
Civil works construction	19,836	(13.7)%	22,352	12.7%	29,248	30.9%
Construction	339	(48.1)%	370	9.0%	4	(98.8)%
Total	63,012	(11.1)%	64,065	1.7%	77,113	20.4%

- FY2021: Decline as NEXCO orders were weak (Pavement)
: Lower as large-scale projects on hand progressed (Civil works)
- FY2022: Large-scale development construction, etc. carried forward (Civil works)
- FY2023: Large-scale civil works and pavement construction for both public and private carried forward

Key construction carried forward to next period in FY2023

Client	Name of project	Projected completion date
Ministry of Land, Infrastructure, Transport and Tourism Hokuriku Regional Development	2023 pavement repair works within the maintenance jurisdiction of Shibata	Nov. 2024
Central Nippon Expressway Company Limited	TOKAI-KANJO EXPWY paving works between Yamagata IC and Itonuki IC	Aug. 2025
Ministry of Defense Okinawa Defense Bureau	ASDF Naha Base (5) civil and other works, including parking apron repair work	Mar. 2026
Satoe Gakuen Educational Institution	Heisei International University soccer and baseball grounds repair works	Jun. 2024
Shimizu Corporation	Abukuma Wind Power Plants construction works	Dec. 2024

[Overseas Businesses]

Orders received at overseas subsidiaries

(Unit: Millions of yen)

Company name	FY2021		FY2022		FY2023	
	Results	YoY change	Results	YoY change	Results	YoY change
Thai Nippon Road Co., Ltd.	1,130	(25.3)%	874	(22.7)%	687	(21.4)%
Nippon Road(M)Sdn. Bhd.	715	(38.8)%	2,216	210.0%	916	(58.7)%
Total	1,845	(31.2)%	3,090	67.5%	1,604	(48.1)%

- In the Southeast Asia region, momentum for projects orders remains in a sluggish state even in the period following recovery from COVID-19
- Thai Nippon Road Co., Ltd. was expecting orders for phase 4 construction of the New Automotive and Tire Quality Test Course from the Thai Industrial Standards Institute, but the project was carried forward

Key orders received

Company name	Category	FY2022	FY2023
Thai Nippon Road Co., Ltd.	Name of project	Construction of CAV Test Course, phase 1	New Automotive and Tire Quality Test Course construction works East circuit road extension construction
	Client	Ministry of Science and Service, Thailand	Industrials Standards Institute, Thailand
Nippon Road(M)Sdn. Bhd.	Name of project	Silk Highway four-lane widening construction	North-South Expressway pavement maintenance (FY2023)
	Client	Gagasan Maya Sdn.Bhd.	Edgenta Infrastructure Services Sdn.Bhd.

[Thailand] New Automotive and Tire Quality Test Course construction works



[Malaysia] North-South Expressway pavement maintenance (FY2023)



<Business results trends by segment (2)>

[Material sales business]

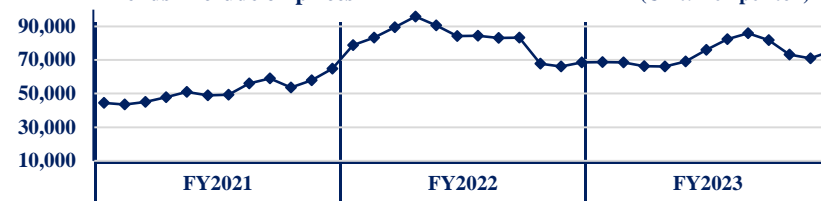
(Units: Thousands of tons, millions of yen)

<Consolidated>	Total industry volume	Manufactured volume	Share	Net sales of finished goods	Gross profit - finished goods	
FY2021	38,728	2,440	6.3%	20,217	9.2%	1,866
FY2022	36,727	2,375	6.5%	22,076	5.7%	1,259
FY2023	34,493	2,315	6.7%	21,984	10.6%	2,319

• FY2023: Higher crude oil prices caused gross profit to decline

Trends in crude oil prices

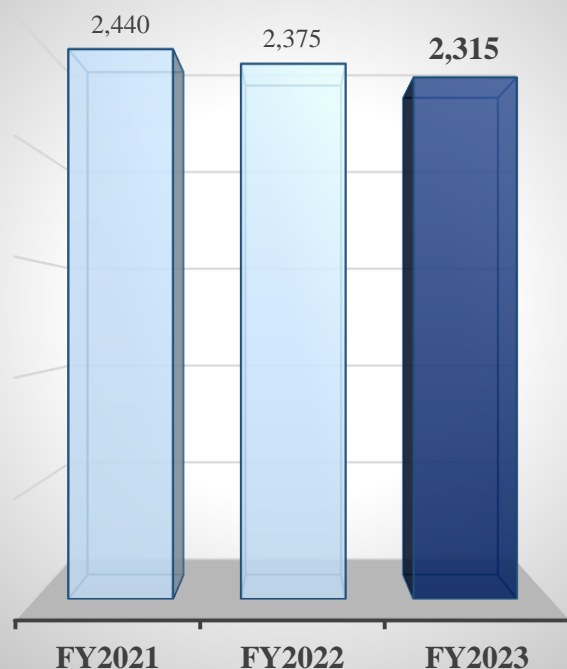
(Unit: Yen per ton)



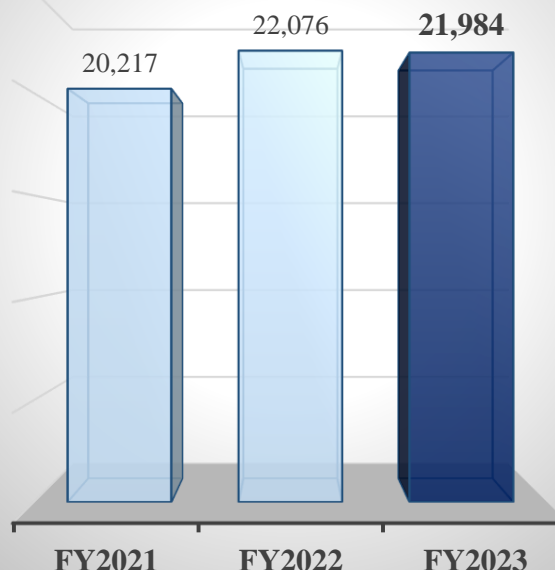
*Adjusted Dubai crude oil FOB price (dollars per barrel).
Yen per ton calculated by multiplying the exchange rate (TTS) and then multiplying by 1000/159 (conversion to tons)

Units: Thousands of tons, millions of yen

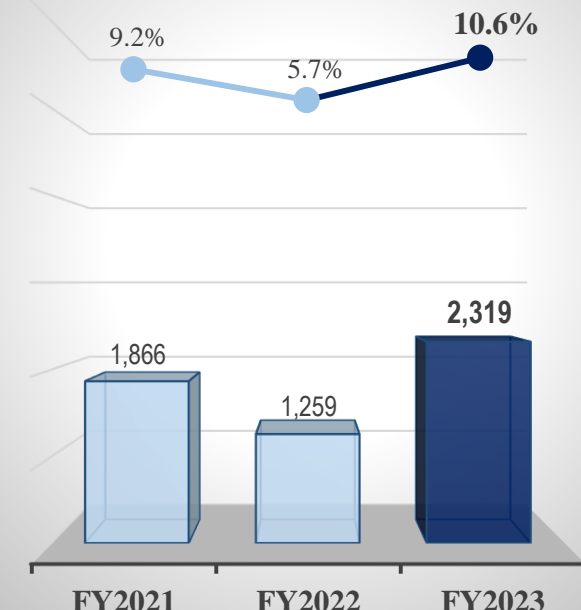
Manufactured volume



Net sales of finished goods



Gross profit - finished goods



<Business results trends by segment (3)>

[Leasing business, etc.]

(Unit: Millions of yen)

<Consolidated>	Sales in leasing business and other	Gross profit - leasing business and other	
FY2021	6,630	19.5%	1,291
FY2022	6,533	20.8%	1,361
FY2023	6,956	20.7%	1,443

ND Leasing System Co., Ltd.

Comprehensive leasing business, sale of various materials, development and sale of computer software, sale of office equipment

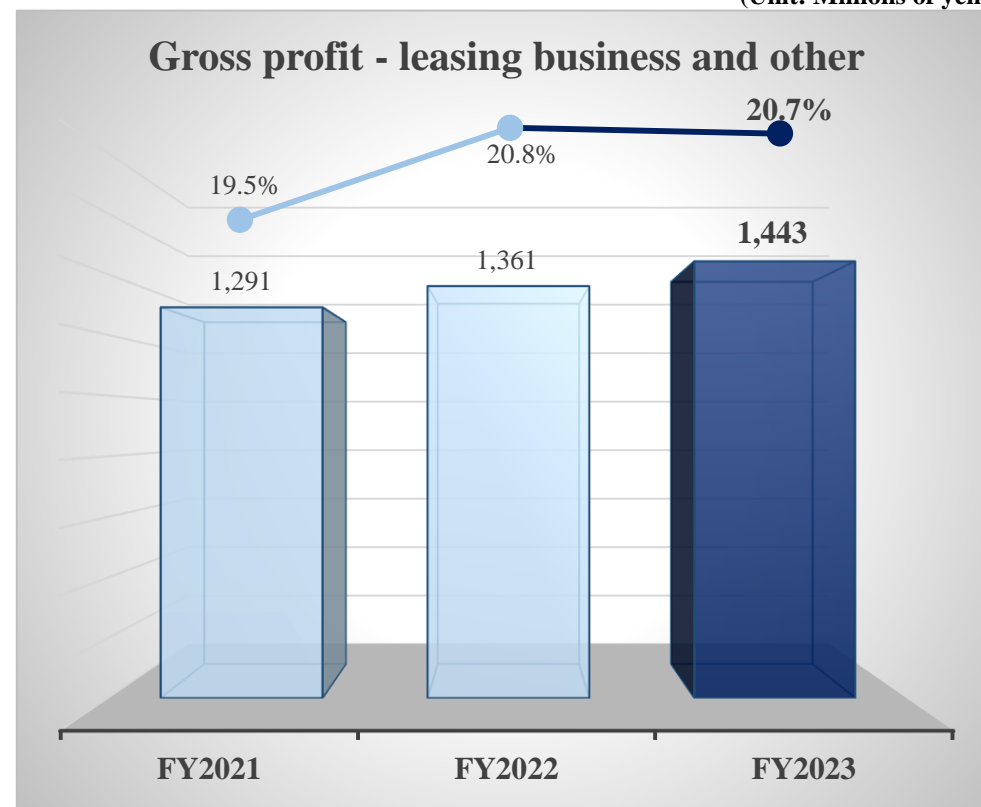
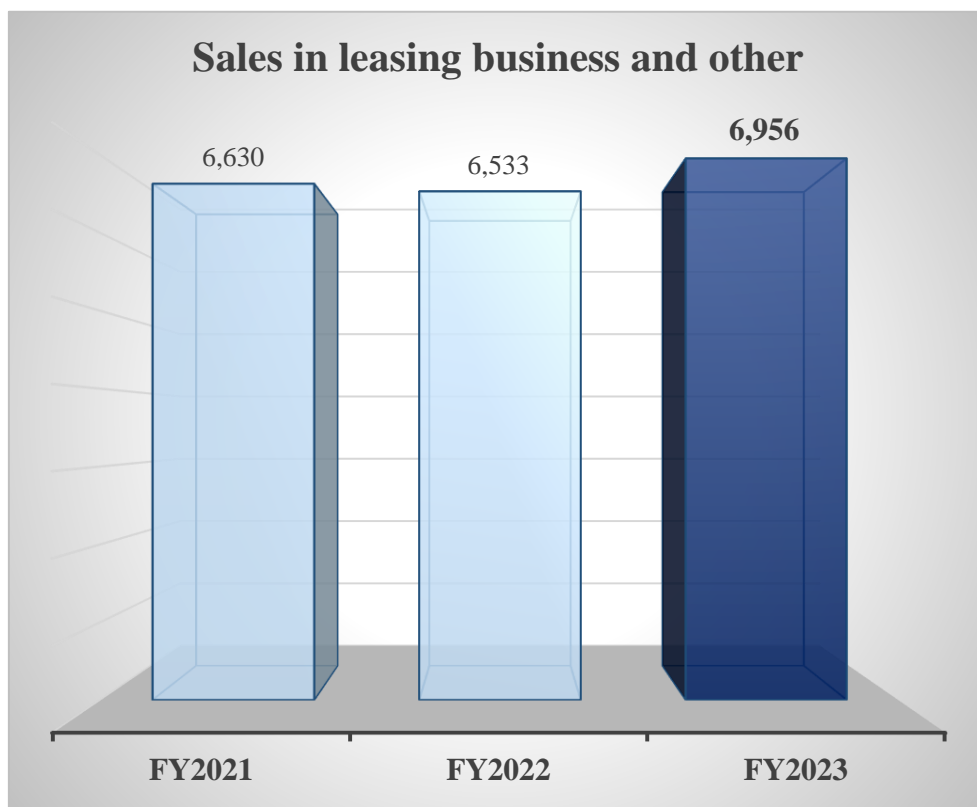
NDIC Co., Ltd.

Insurance agency business

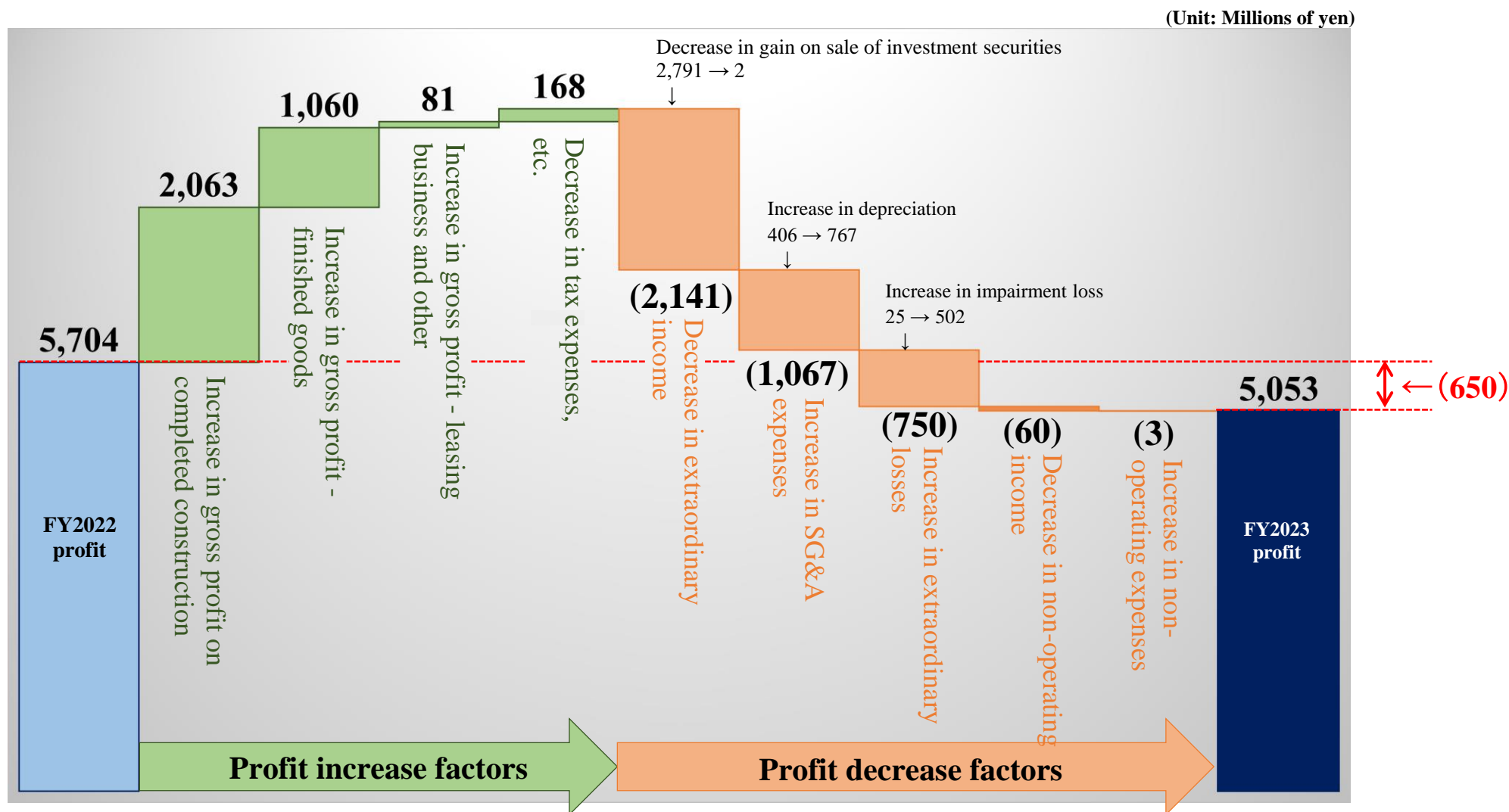
Sports Media Inc.

Planning and operation of sports facilities, etc.

(Unit: Millions of yen)



<Analysis of factors affecting profit>



<Balance sheet for the fiscal year ended March 31, 2024>

(Unit: Millions of yen)

	FY2021	FY2022	FY2023	YoY change
Assets				
Current assets	110,142	112,989	109,042	(3,946)
Cash and deposits	30,158	38,159	33,601	(4,557)
Notes receivable, accounts receivable from completed construction contracts, electronically recorded monetary claims - operating, and other	67,898	62,325	62,713	388
Lease receivables and investments in leases	8,726	8,332	8,067	(265)
Inventories	1,284	1,364	1,382	18
Other	2,075	2,807	3,276	469
Non-current assets	42,051	38,860	40,883	2,022
Property, plant and equipment	33,805	33,947	35,657	1,710
Buildings and structures	21,497	21,390	24,521	3,131
Machinery, vehicles, tools, furniture and fixtures	39,120	39,777	40,491	713
Assets for lease	4,037	4,129	4,227	98
Land	17,697	17,701	17,035	(666)
Construction in progress	47	1,511	164	(1,346)
Accumulated depreciation	(48,595)	(50,564)	(50,783)	(219)
Intangible assets	1,320	1,950	2,180	229
Investments and other assets	6,925	2,962	3,044	82
Investment securities	6,085	1,326	1,624	298
Other	840	1,636	1,420	(215)
Total assets	152,194	151,850	149,926	(1,924)

	FY2021	FY2022	FY2023	YoY change
Liabilities				
Current liabilities	51,102	47,146	40,430	(6,715)
Notes payable, accounts payable for construction contracts, electronically recorded obligations - operating, and other	38,134	38,339	29,939	(8,400)
Short-term borrowings	3,000	100	1,000	900
Provisions	282	299	208	(90)
Other	9,685	8,407	9,282	875
Non-current liabilities	6,084	7,794	9,281	1,486
Long-term borrowings	5,200	6,600	8,700	2,100
Retirement benefit liability	522	940	251	(689)
Other	362	253	330	76
Total liabilities	57,187	54,941	49,711	(5,229)
Net assets				
Shareholders' equity	93,240	97,103	99,693	2,589
Share capital	12,290	12,290	12,290	0
Capital surplus	14,524	14,524	14,523	(1)
Retained earnings	66,425	70,291	72,884	2,592
Treasury shares	0	(2)	(4)	(1)
Accumulated other comprehensive income	1,627	(340)	358	698
Non-controlling interests	138	146	162	16
Total net assets	95,006	96,909	100,214	3,304
Total liabilities and net assets	152,194	151,850	149,926	(1,924)

<Cash flows statement for the fiscal year ended March 31, 2024>

(Unit: Millions of yen)

	FY2021	FY2022	FY2023	YoY change
Opening balance of cash and cash equivalents	36,691	30,158	38,129	7,970
Cash flows from operating activities	2,360	10,918	*1 92	(10,826)
Cash flows from investing activities	(5,140)	307	*2 (5,204)	(5,512)
Cash flows from financing activities	(3,788)	(3,349)	536	3,885
Net increase (decrease) in cash and cash equivalent	(6,533)	7,970	(4,543)	(12,514)
Ending balance of cash and cash equivalents	30,158	38,129	33,585	(4,543)

[Key reasons for YoY changes]

*1: Decrease in accounts payable - trade of (8,430) million yen (cashing out on payment terms for trading partners)

*2: Acquisition of tangible fixed assets of (5,708) million yen (key asset: Tsuchiura Techno BASE)

Financial results forecast for the fiscal year ending March 31, 2025

<Financial results forecast for the fiscal year ending March 31, 2025>

- Despite uncertainty stemming from the rise in raw material prices in addition to exchange rates and overseas conditions, the Company projects the Japanese economy during the next consolidated fiscal year to recover due to an increase in personal consumption aided by wage increases as well as capital investment for corporations.

(Unit: Millions of yen)

<Consolidated>	FY2022 results		FY2023 results		FY2024 forecasts		YoY change
Orders received (Construction business)	127,896		143,513		138,000		(3.8)%
Gross profit	155,353		160,519		165,000		2.8%
Operating profit	3.7%	5,695	4.9%	7,833	5.2%	8,500	8.5%
Ordinary profit	3.8%	5,920	5.0%	7,994	5.2%	8,600	7.6%
Profit	3.7%	5,704	3.1%	5,053	3.2%	5,200	2.9%

<Measures by segment (1)>

[Construction business]

(Unit: Millions of yen)

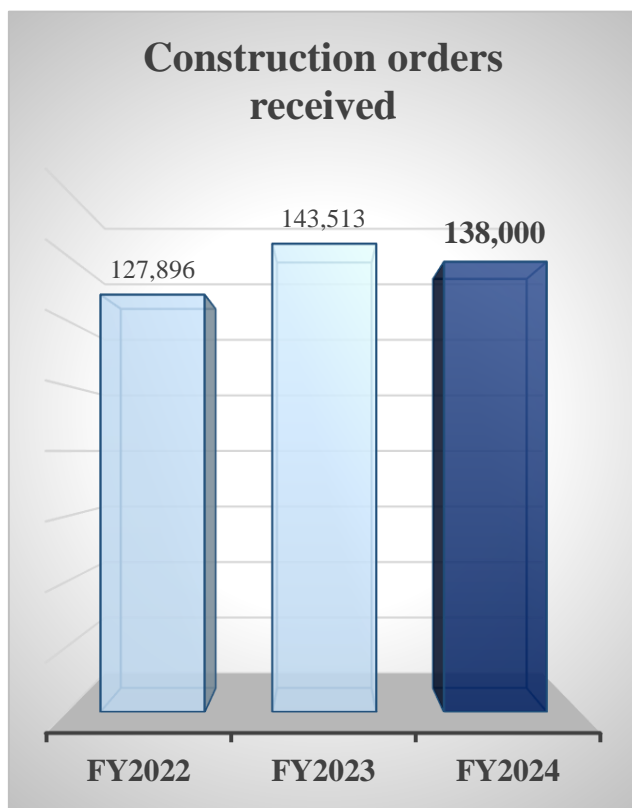
<Consolidated>	Construction orders received	Net sales of completed construction contracts	Gross profit on completed construction contracts	
FY2022	127,896	126,743	9.8%	12,437
FY2023	143,513	131,578	11.0%	14,501
FY2024	138,000	135,000	11.6%	15,600

• Construction orders received: Despite abundance of construction carried forward from the previous fiscal year, continue to work toward orders focused on profitability

• Net sales of completed construction contracts: Ensure appropriate management of construction progress in combination with progress in construction carried forward from the previous year

• Gross profit on completed construction contracts: Improve profitability to secure a construction profit margin of 11.6%

(Unit: Millions of yen)



<Measures by segment (2)>

[Material sales business]

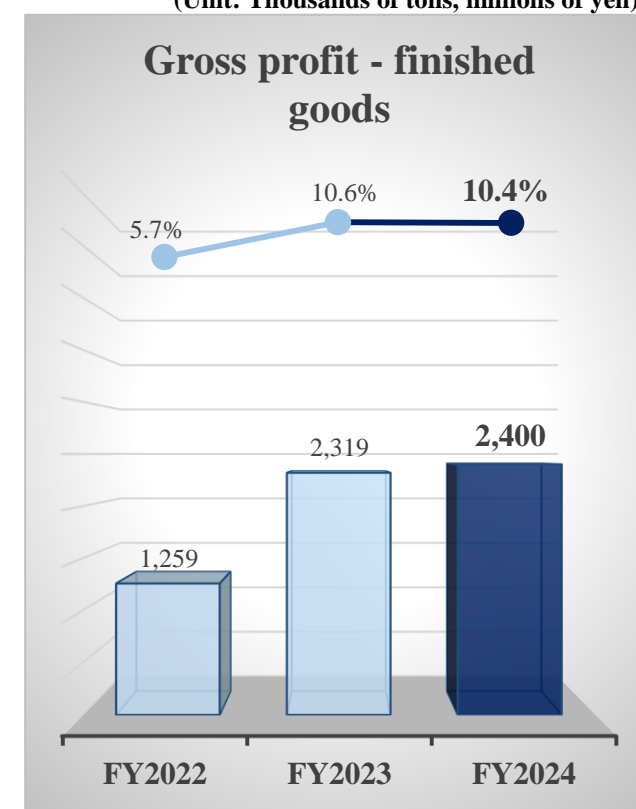
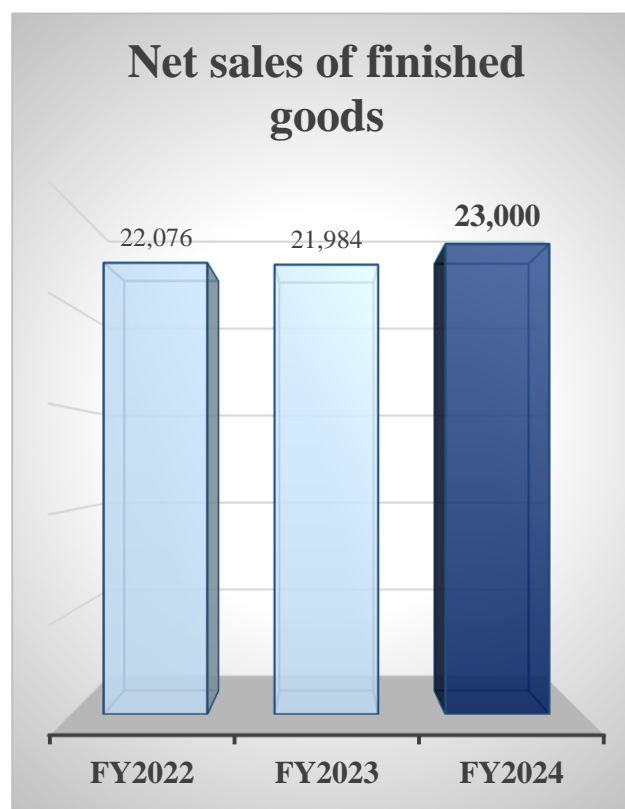
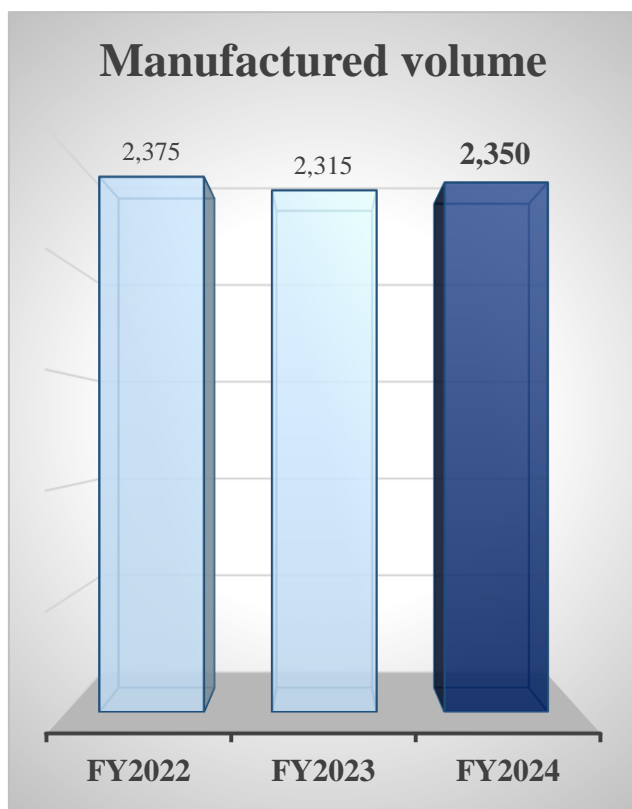
(Units: Thousands of tons, millions of yen)

<Consolidated>	Total industry volume	Manufactured	Shares	Net sales of finished goods	Gross profit - finished goods	
FY2022	36,727	2,375	6.5%	22,076	5.7%	1,259
FY2023	34,493	2,315	6.7%	21,984	10.6%	2,319
FY2024	34,000	2,350	6.9%	23,000	10.4%	2,400

• Prices of key materials (asphalt) and fuel/electricity as well as personnel expenses will continue to be passed on to clients as appropriate

• Increase share: Standalone construction sales, internal sales based on area strategies in cooperation with regional paving companies, and securing manufactured volume for external sales

(Unit: Thousands of tons, millions of yen)



<Measures by segment (3)>

[Co-creation business]*

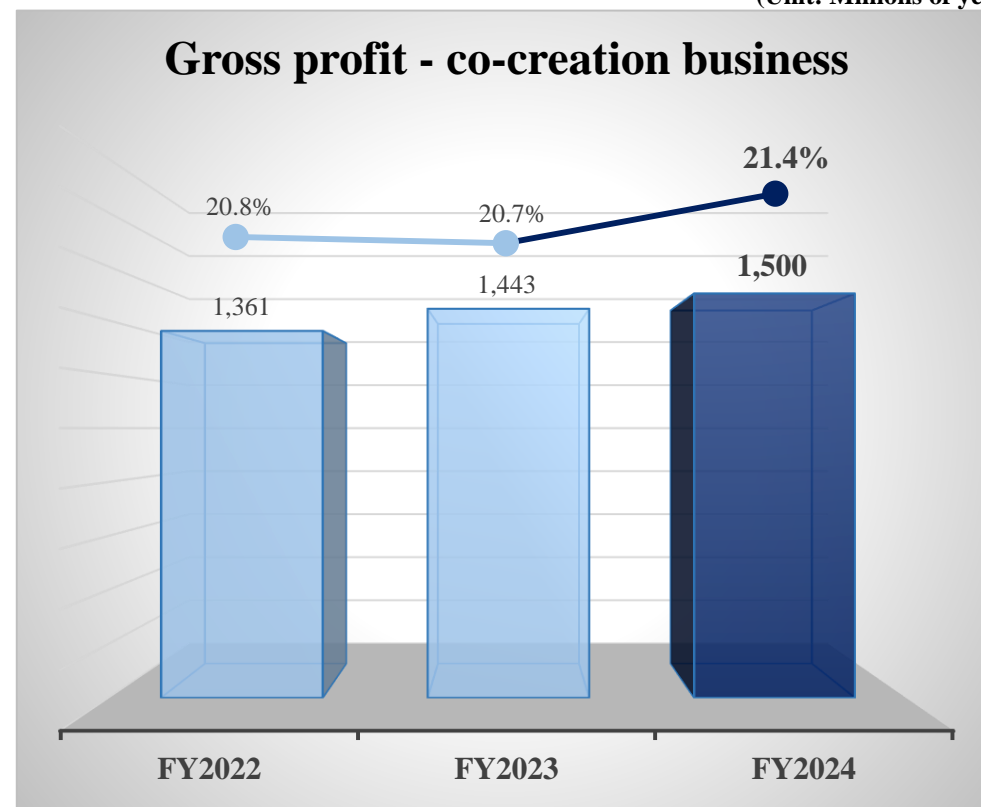
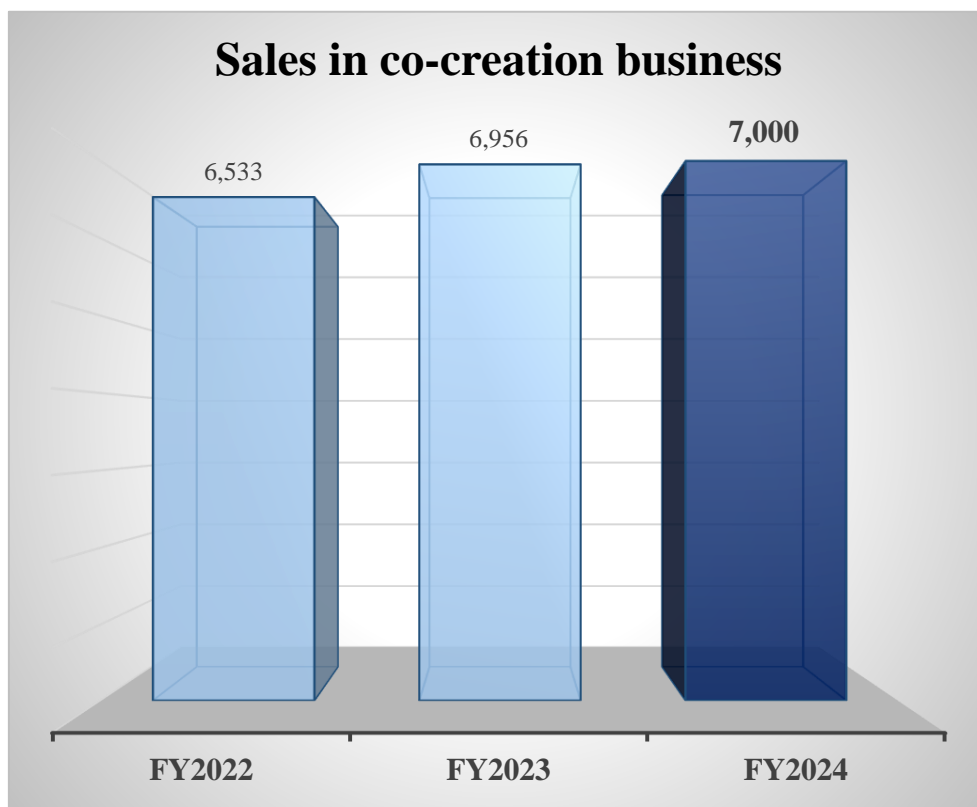
(Unit: Millions of yen)

<Consolidated>	Sales in co-creation business	Gross profit - co-creation business	
FY2022	6,533	20.8%	1,361
FY2023	6,956	20.7%	1,443
FY2024	7,000	21.4%	1,500

* Changed from "Leasing business, etc." to "Co-creation business" for promoting new business development with multiple stakeholders

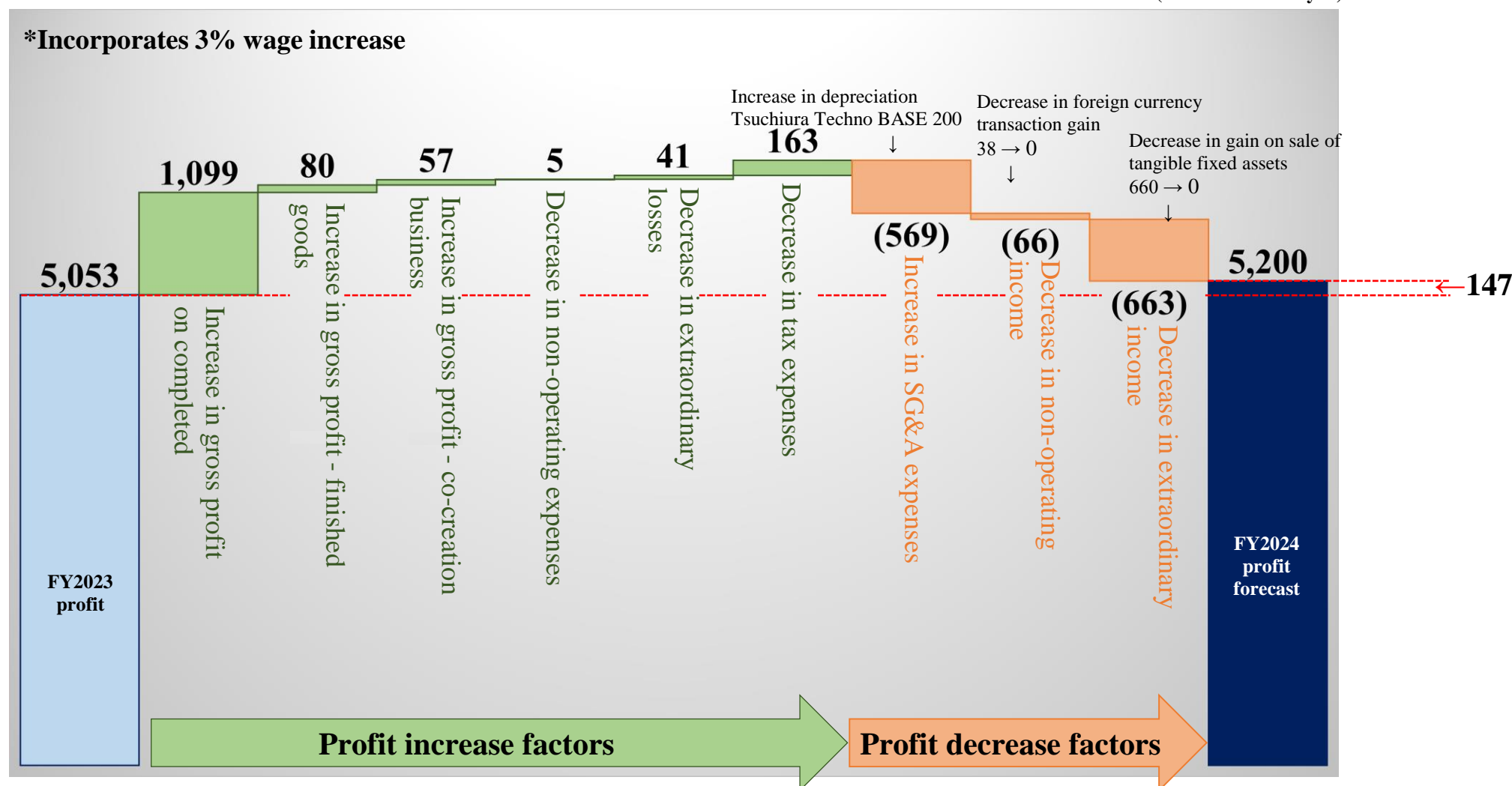
- Expand leasing and commercial business
Expand sales of internally developed vehicle "Multi-JobCar" and other specialized vehicles, expand sales of safety commodities
- Expand business domain through M&As
Sports-related business, environment-related (recycling) business, health-related business
- Participate in PPP/PFI business
Transportation infrastructure asset management, sports/park facility PFI

(Unit: Millions of yen)



<Analysis of factors affecting profit forecasts for the fiscal year ending March 31, 2025>

(Unit: Millions of yen)



NIPPON ROAD Group

Mid-term Management Plan 2024
(FY2024-2026)



NICHIDO

Table of contents

I	Review of Mid-term Management Plan 2019 (FY2019-2023)	1
II	100th anniversary of founding and vision for the future	4
— Mid-term Management Plan 2024 (FY2024-2026) —		
III	Basic policy and top message	7
IV	Business environment	9
V	Three-year Management Plan	10
VI	Business strategy	14
VII	Growth strategy	26

Intro

Formulation of NIPPON ROAD Group's Mid-term Management Plan 2024

I Review of Mid-term Management Plan 2019 (FY2019-2023)

Key issues in Mid-term Management Plan 2019	Results (planned figures)	Future key issues
Increasing private-sector orders	FY2023 77.2 billion yen (80.0 billion yen)	Increasing business profitability
Improving the operating profit ratio	FY2023 4.9% (6.1%)	Improving quality
Promoting workstyle reform	Percentage of holiday acquisition goals achieved FY2023 74.2% (125 days)	Creating added value
Establishing health & safety targets	Occupational accident occurrence (4 days or more off work) frequency rate target FY2023 0.51 (0.72)	Advancing workstyle reform
Establishing environmental targets	<ul style="list-style-type: none"> Reduction of CO₂ emissions 27% (20%) Recycle rate, other than specific byproducts 90.2% (86.8%) 	Ensuring thorough compliance
Ensuring thorough compliance	<ul style="list-style-type: none"> Formulated "Compliance Day (July 30)" Continued implementation of education and awareness activities Established business risk management system 	Diversity and fairness

Results of Mid-term Management Plan 2019

◇Management target figures/Achievement of management indicator targets

Management figures/Management targets (Consolidated)

(Unit: Millions of yen)

		FY2019		FY2020		FY2021		FY2022		FY2023		FY2023		Ratio to plan targets	
		Results								Results		Plan targets		Difference	Achievement
Orders received for construction business		126,322		136,764		120,340		127,896		143,513		137,000		6,513	104.8%
Net sales	Construction business	120,250		128,997		129,532		126,743		131,578		133,000		-1,421	98.9%
	Material sales business	20,955		21,209		20,217		22,076		21,984		23,500		-1,515	93.6%
	Leasing business, etc.	7,493		7,589		6,630		6,533		6,956		7,500		-543	92.8%
	Total net sales	148,699		157,797		156,379		155,353		160,519		164,000		-3,480	97.9%
Gross profit	Construction business	9.4%	11,287	10.8%	13,955	10.7%	13,810	9.8%	12,437	11.0%	14,501	9.5%	12,680	1,821	114.4%
	Material sales business	15.5%	3,256	20.0%	4,240	9.2%	1,866	5.7%	1,259	10.6%	2,319	16.9%	3,960	-1,640	58.6%
	Leasing business, etc.	17.7%	1,323	14.5%	1,102	19.5%	1,291	20.8%	1,361	20.7%	1,443	18.1%	1,360	83	106.1%
	Total gross profit	10.7%	15,867	12.2%	19,298	10.9%	16,968	9.7%	15,059	11.4%	18,264	11.0%	18,000	264	101.5%
SG&A expenses		5.6%	8,351	5.4%	8,521	5.7%	8,765	6.0%	9,363	6.5%	10,430	4.9%	8,000	2,430	130.4%
Operating profit		5.1%	7,515	6.8%	10,776	5.2%	8,202	3.7%	5,695	4.9%	7,833	6.1%	10,000	-2,166	78.3%
Profit		4.6%	6,792	4.8%	7,598	3.6%	5,667	3.7%	5,704	3.1%	5,053	4.0%	6,500	-1,446	77.7%
ROE		8.2%		8.6%		6.1%		6.0%		5.1%		6.7%			
Dividend		180 yen (36 yen)		260 yen (52 yen)		210 yen (42 yen)		280 yen (56 yen)		300 yen (60 yen)		220 yen (44 yen)		80 yen (16 yen)	
Dividend payout ratio		23.3%		30.1%		32.6%		43.1%		52.1%		30.0%			

*March 2022: Nippon Road became a consolidated subsidiary of Shimizu Corporation.

*October 2023: Share split (rate of five shares per share of common shares)

[Construction business - Orders] Public construction + Total private construction = Increase in ratio of direct orders (prime contractor orders)

FY2019: 40.3% → FY2023: 52.1%

[Construction business - Profit] Improved profitability due to thorough construction management

FY2019: 9.4% → FY2023: 11.0%

[Material sales business - Sales] Manufactured volume did not reach plans due to nationwide trend to scale down business per project

[Material sales business - Profit] Increased costs (high prices of asphalt due to higher crude oil prices and depreciation of the yen depreciation, personnel expenses, fuel costs), delay in passing on prices to customers, nationwide decline in composite demand

[SG&A expenses] Increased due to personnel expenses from enhancing Headquarters facilities and wage increases, core system update expenses, temporary movement expenses associated with rebuilding the Headquarters and Tokyo Branch, etc.

Results of Mid-term Management Plan 2019

Status of implementation of strategic growth investment (Consolidated)

(Unit: Millions of yen)

	FY2019-FY2023				Difference with targets
	Targets	Cumulative execution amount	Difference	Achievement	
Construction business investment	10,000	7,950	-2,050	79.5%	M&A not occurring
Material sales business base maintenance investment	24,000	9,064	-14,936	37.8%	Establishment of urban AP in the Kanto/Chubu region suspended
Sales base environmental maintenance investment	4,000	2,629	-1,371	65.7%	Changing base from company-owned to lease
Information investment in systems, etc.	2,000	2,445	445	122.3%	Core system update expenses increasing
Total	40,000	22,090	-17,910	55.2%	

*Does not include capital expenditures for the leasing business

[Construction business investment]

- Tsuchiura Techno BASE (Ibaraki)* 5,784 million yen
- Other, construction machinery, etc.

*Multipurpose complex combining a technical center, machinery center, and training center (part of the 100th anniversary project)

[Material sales business base maintenance investment]

- Senboku Rinkai Mixture Center (Osaka) 1,624 million yen Urban plant (new construction)
- Jyoubu AP (Gunma) 733 million yen Plant installed with environmental measures (CO₂ reduction) burner (update construction)
- Kagawa AP (Kagawa) 70 million yen Plant with environmental measures (CO₂ reduction) gasification (update construction)
- Other, related to partial updates for existing AP, etc.

[Sales base environmental maintenance investment]

- Moved Kyushu Branch (Fukuoka) 360 million yen
- Rebuilt Shikoku Branch (Kagawa) 320 million yen
- Other, moving business offices, partial updates for rebuilding, etc.

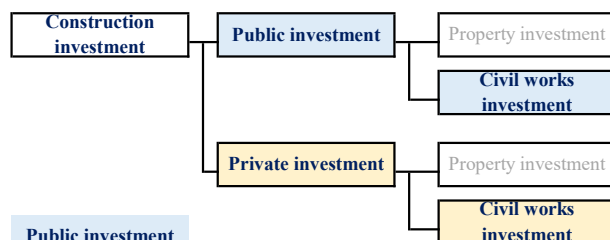
[Information investment in systems, etc.]

- Updated core system 2,017 million yen First complete update in 23 years → Operational efficiency

II 100th anniversary of founding and vision for the future

100th anniversary of founding and pursuits for the future

Main business environment of the Group



Public investment

- ◎Although public investment had fallen to approximately 50% of the 1990 peak in operations by around 2008, there has been a surge in the promotion of national resilience and investment is predicted to remain strong at a level in excess of 20 trillion yen. In following, the early establishment of the Medium-term Plan for National Resilience is expected to secure future business volumes
- ◎Investment in road network development mainly around urban areas is predicted to continue
- ◎Large-scale renewal of deteriorating infrastructure is predicted to continue
- ◎Construction of a seamless network and development of automated logistics roads utilizing expressways with a target for completion in the next 10 years as based on WISENET 2050 are both expected
- ◎Progress is being made on plans for facility resilience in an effort to drastically enhance defensive capabilities, which is to be completed over a period of multiple years
- ◎Although overseas ODA has decreased to approximately 50% of the 1997 peak, there is high demand for technical support from Southeast Asia and various island nations and contributions are expected from the export of infrastructure technology
- ◎National and local governments continue to face difficult situations with regard to finances and requirements are building for the efficient provision of public services. As a result, progress is being made in adoption of PPP/PFI business, which utilizes private-sector funding and expertise

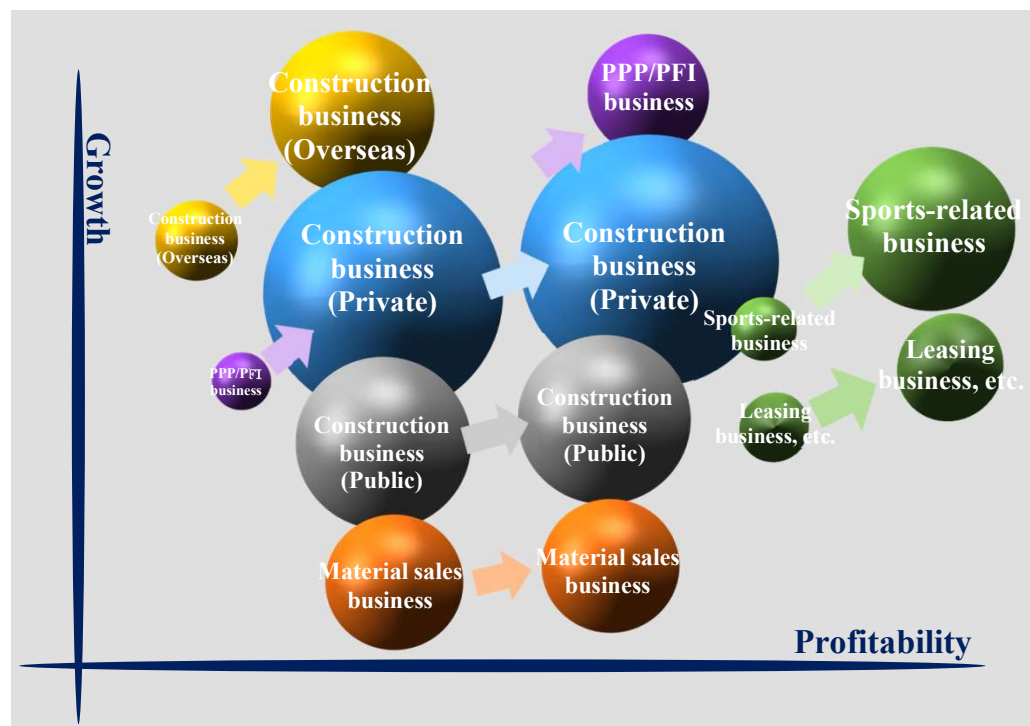
Private investment

- ◎Decrease came to a halt around 2010, and signs of recovery were witnessed following the resolution of the COVID-19 pandemic
- ◎Investment in civil engineering for power generation and other environmental measures business is increasing with the spread of renewable energy
- ◎Large-scale projects including railway businesses such as the Shinkansen lines and the Linear Central Shinkansen Line are progressing and remaining strong
- ◎Active investment in warehouses and logistics facilities mainly in metropolitan areas is predicted to continue with changing lifestyles
- ◎Populations of people participating in sports is increasing with the rise in health consciousness, and investment in sports-related business in both the public and private sectors, including urban development and the creation of hubs for public interaction, is predicted to continue



100th anniversary of founding and pursuits for the future

Main business environment of the Group



Construction business	Private	[Business scale] → [Profitability] → [Growth potential]
	Public	[Business scale] → [Profitability] → [Growth potential]
	Overseas	[Business scale] → [Profitability] → [Growth potential]
Material sales business		[Business scale] → [Profitability] → [Growth potential]
		[Business scale] → [Profitability] → [Growth potential]
		[Business scale] → [Profitability] → [Growth potential]
Co-creation business	Sports, Leasing, etc.	[Business scale] → [Profitability] → [Growth potential]
	PPP/PFI	[Business scale] → [Profitability] → [Growth potential]

*Changed from "Leasing business, etc." to "Co-creation business" for promoting new business development with multiple stakeholders

◎As for the status of the construction industry, personnel expenses are forecasted to rise with further acceleration of the declining workforce due to the decreasing workforce in general and the overtime work cap regulations introduced in April 2024

◎Domestic construction investment in both the public and private sectors is predicted to continue to remain strong

◎Asphalt and fuel procurement is easily influenced by exchange rates and instability overseas, and risks are included in determining the profitability of asphalt mixture manufacturing, which is the core of the material sales business

◎People's ways of life are changing, and there is an increasing need for more prosperous lifestyles with consideration for both body and mind while ensuring respect for diversity



◎In order to secure human resources, engage in continuous hiring activities and aim to be a company that provides job satisfaction through enriching education, etc.

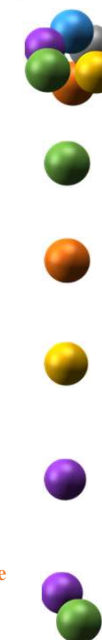
◎While promoting active investment in environmental measures for which global interest is growing ever higher, focus on sales of environmental products as one of the pillars of growth business

◎In the material sales business, promote new growth strategies such as strengthening the recycling business

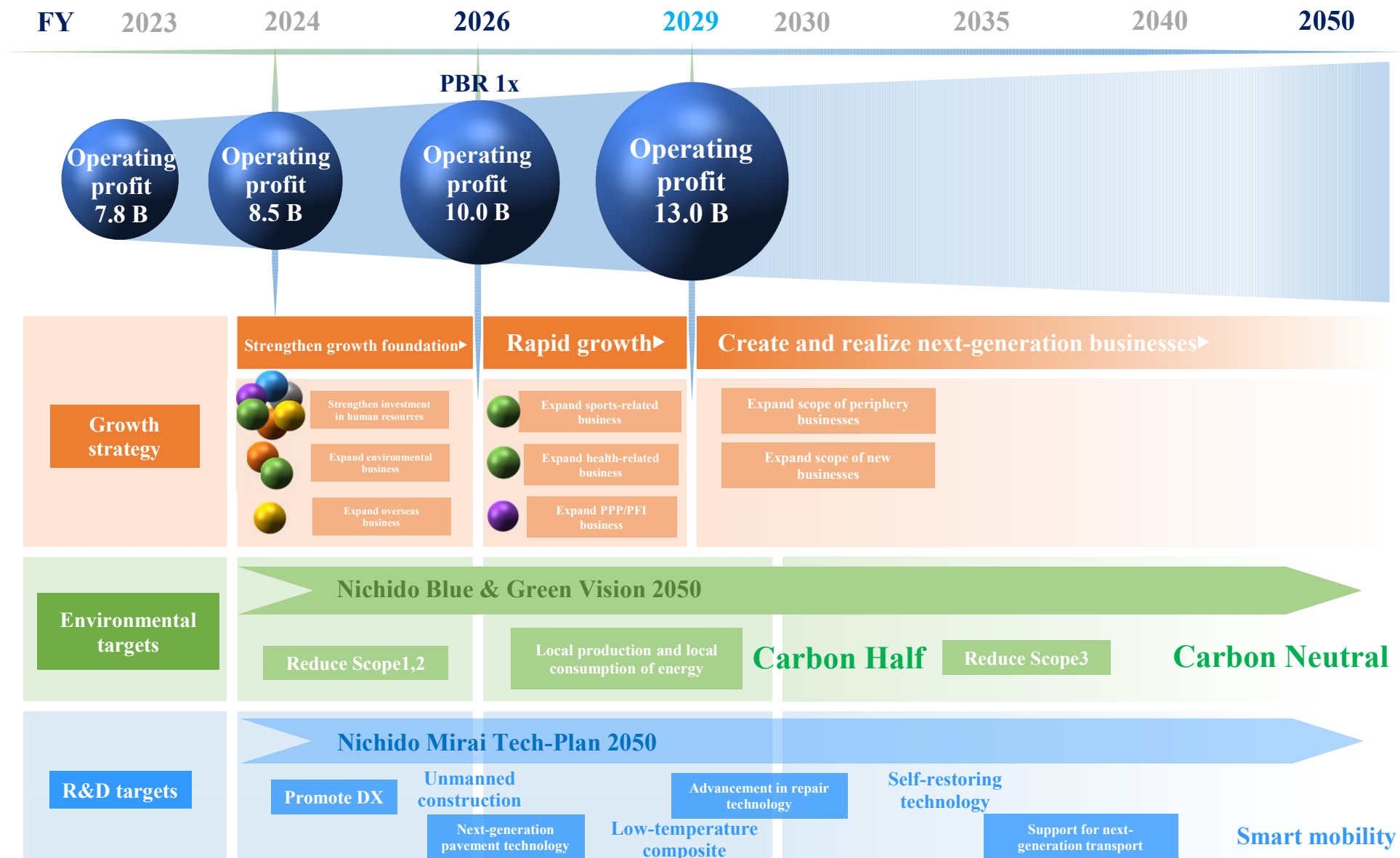
◎Construction investment overseas has hidden potential for growth and provides many opportunities for business expansion

◎Within the scope of PPP projects, PFI business utilizing private-sector funding is expected to increase and reach a scale of 30 trillion yen in 13 different sectors, and we will seek business expansion mainly in roads, airports, sports facilities, and parks

◎Aim to expand sports-related and health-related businesses in response to the demand for increasing health consciousness and enriched lifestyles resulting from an aging population



100th anniversary of founding and pursuits for the future



Mid-term Management Plan 2024: Waypoint for further growth

III Basic policy



Today's Work, Tomorrow's Heritage

SHIMIZU CORPORATION
清水建設

Corporate creed
"The Analects and the Abacus"

[Corporate creed]

"Inventive improvement" "Harmonious fellowship" "Enhancing trust"

[Corporate identity]

- Use inventiveness to work toward improving technologies and improving operations
- Recognize our responsibilities, planning carefully and continuing steady execution
- With sincerity, work toward mutual harmony and preserving norms
- Create bright workplaces and happy homes with healthy bodies and minds
- Contribute to society by concentrating on work and helping society grow

[Corporate philosophy]

By advancing ESG management, become a company that is trusted by society and viewed as indispensable while also contributing to creating a sustainable society

[Management vision]

- "A company that cares for its employees"
- "Contribute to society through road construction"
- "Enriching corporate governance"

[Basic management policies]

Health and Safety Policy

We thoroughly adhere to a safety-first principle that prioritizes the respect for human life and continuously improve the occupational health and safety management system to establish a "culture of safety"

Quality Policy

As a company that aims for sustainable development as a trusted entity by all stakeholders, we will implement a quality management system and strive for continuous improvement

Environmental Policy

In accordance with our environmental vision "Nichido Blue & Green Vision 2050," we will promote an environmental management system for reducing global environmental impact and contribute to realizing a sustainable global environment

Mid-term Management Plan 2024: Waypoint for further growth

III Top message



100th anniversary of our founding and into the future, aiming to be a company that is genuinely necessary

At NIPPON ROAD, we formulated a five-year plan starting from FY2019 and made progress on operational improvements toward overcoming the six key issues highlighted therein. During this period, the importance of maintaining consciousness of the environment has grown higher and we have entered a time in which it is necessary to engage in various new forms of information disclosure.

Spanning a period of over three years, we faced many trials and tribulations resulting from COVID-19, and furthermore, uncertainty stemming from continued fluctuations in crude oil prices and exchange rates due to geopolitical factors around the world. However, the economy has seen increasingly stable recovery in recent years. NIPPON ROAD is also committed to seizing this opportunity and continuing to take active measures toward improving profits.

Together with the recovery in capital expenditure in the private sector, there has been a steady increase in high-quality orders and direct orders from clients that maximize the utilization of Shimizu Corporation's sales network.

At the same time, we will be focusing on workstyle reform and proceeding to shift personnel to production divisions while aiming for efficient business execution across the entire organization.

At "Tsuchiura Techno BASE" constructed in Ibaraki Prefecture, facility operations began in April 2024. Featuring an R&D facility, training facility, machinery center, and test yard built on the grounds, we will strive to effectively utilize this complex for the development of technology and personnel linking to the next generation, enhanced technological capabilities throughout the supply chain, and PR for customers and other stakeholders.

The new Mid-term Management Plan 2024 is a three-year plan designed with consideration for providing a flexible response to the changes of the times, and while maintaining engagement with prior measures implemented up to this point, focuses on the four priority areas of thorough compliance, provision of high-quality services and increase in business profitability, advancing workstyle reform, and promoting DE&I.

In ensuring thorough compliance, we value transparency and sincerity, and must continue with our commitment to build trust from both internal and external sources.

In relation to increasing business profitability, while ensuring the provision of high-quality products and services, we will strengthen risk management, maximize earnings power, and pursue stable growth.

In the further promotion of workstyle reform, we will aim for continuous improvement in the work environments of our employees by accommodating new workstyles and working on productivity improvement.

Finally, we will establish DE&I policies and aim for fair and sustainable development that is rich in diversity and promotes understanding both internally and for our multiple stakeholders.

In addition, from a long-term perspective, the domestic construction industry is expected to continue to operate at a certain business scale, and with the belief that new growth strategies including the expansion of business areas and extension of business domains will be of increasing importance, we will actively consider developments in the co-creation business through collaboration and M&A in seeking to meet the broad needs of society.

We will be celebrating the 100th anniversary of NIPPON ROAD's founding in 2029. While seeking to ensure the technological capabilities that we have cultivated thus far are passed on for the next generation, as well as engage in further development into the future, and in order to continue to be a company that has earned trust and a positive reputation from all of our stakeholders, we will share the Mid-term Management Plan's targets with all employees as a waypoint towards these ends, and promote high-quality orders, provision of high-quality construction and products, and a commitment to high-quality management.

Representative Director and President
THE NIPPON ROAD CO., LTD.

Toshiyuki Ishii

IV Business environment

Business environment for the next three years

[Construction business]

- Public construction
Public investment will continue to be implemented at the same scale
- Private construction
Capital investment is forecasted to remain at a high level against a backdrop of strong corporate profits
- Material prices
Material prices are also forecasted to increase due to higher prices of products imported from overseas and increase in domestic personnel expenses
- Personnel expenses
The low birthrate and aging population, in addition to the overtime work cap regulations introduced in April 2024, will result in higher personnel expenses

[Material sales business]

- Manufactured volume
Manufactured volume is forecasted to decrease due to nationwide trend to scale down business per project
- Material prices
Asphalt derived from crude oil will be significantly impacted by crude oil prices and exchange rates in addition to price fluctuations in domestically procured aggregate and workstyle reform in the transportation industry
- Environmental measures
Society's need to control global warming is higher than ever before, requiring implementation of measures to reduce environmental burden
Heightening demand for reuse of waste (asphalt and concrete waste) generated by infrastructure and facility renewal

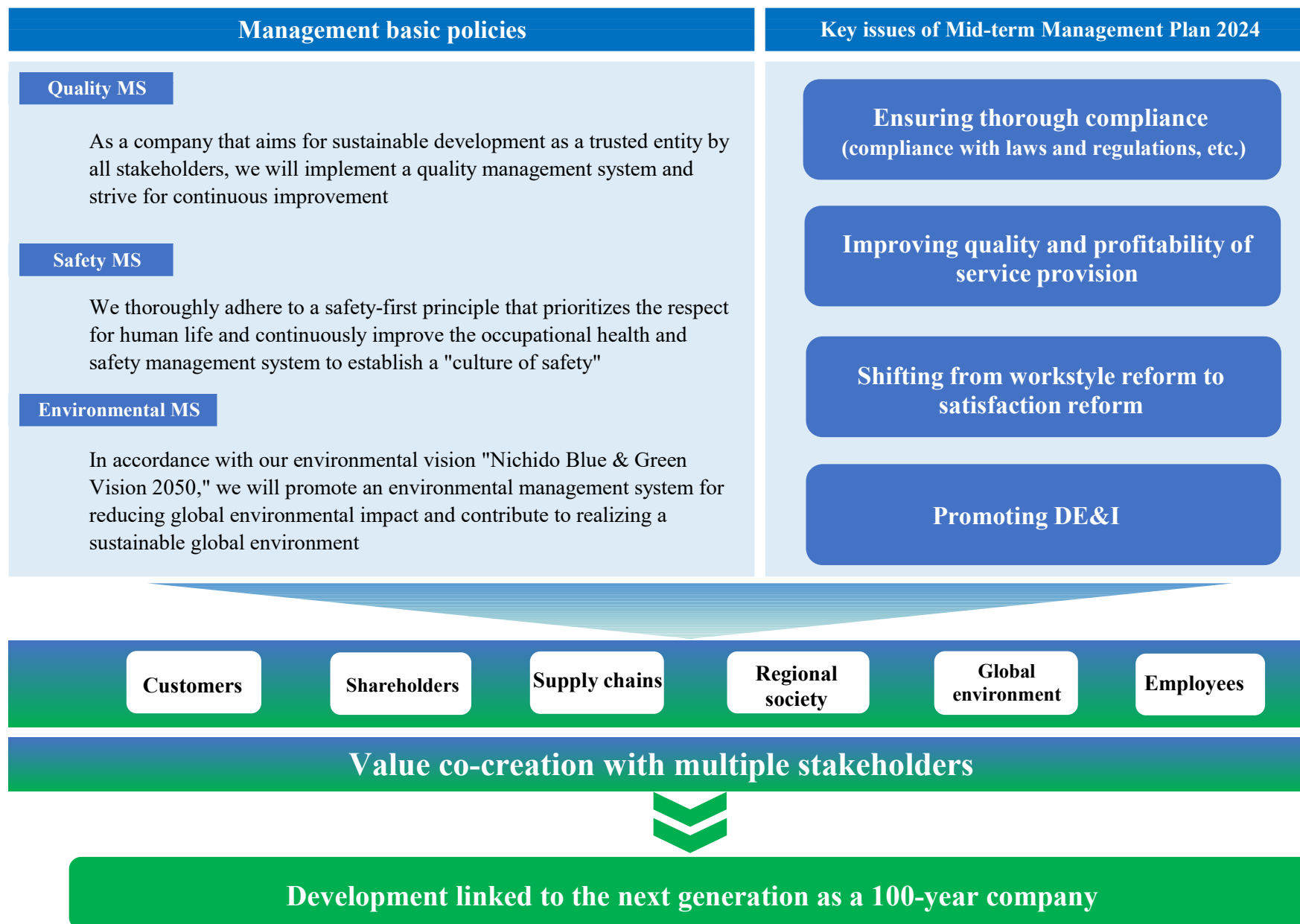
[Co-creation business]*

- Investment environment
While the social environment is changing due to the impact of COVID-19, etc. and there are signs of slight weakness in demand for the leasing industry, there is demand for projects related to improving working environments in the construction-related industry
- PPP/PFI business will expand (roads, parks, etc.)
- Demand will grow for products that reduce environmental burden (eco-products) with rising awareness of environmental conservation
- Demand will increase for sports-related and health-related businesses with the aging population and increasing health consciousness



*Changed from "Leasing business, etc." to "Co-creation business" for promoting new business development with multiple stakeholders

V Three-year Management Plan



Target figures of Mid-term Management Plan 2024

◇Management target figures/Management indicator targets (Consolidated)

(Unit: Millions of yen)

		FY2023		FY2024		FY2026		
		Results		Plan		Targets		Ratio to FY2023
Construction orders received		143,513		138,000		139,000		96.9%
Net sales	Construction business	131,578		135,000		137,000		104.1%
	Material sales business	21,984		23,000		24,000		109.2%
	Co-creation business*	6,956		7,000		8,000		115.0%
	Total net sales	160,519		165,000		169,000		105.3%
Gross profit	Construction business	11.0%	14,501	11.6%	15,600	12.4%	17,000	117.2%
	Material sales business	10.6%	2,319	10.4%	2,400	10.4%	2,500	107.8%
	Co-creation business*	20.7%	1,443	21.4%	1,500	25.0%	2,000	138.6%
	Total gross profit	11.4%	18,264	11.8%	19,500	12.7%	21,500	117.7%
SG&A expenses		6.5%	10,430	6.7%	11,000	6.8%	11,500	110.3%
Operating profit		4.9%	7,833	5.2%	8,500	5.9%	10,000	127.6%
Profit		3.1%	5,053	3.2%	5,200	3.9%	6,600	130.6%



*Changed from "Leasing business, etc." to "Co-creation business" for promoting new business development with multiple stakeholders

[Construction business - Orders] Public construction + total private construction = Stable increase in ratio of direct orders (prime contractor orders)

⇒ FY2023: 52.1% → FY2026: 50% or higher

[Construction business - Profit] Improved profitability due to meticulousness in screening for estimates and thorough construction management

⇒ FY2023: 11.0% → FY2026: 12.4%

[Material sales business - Sales] Nationwide trend of decline in composite demand

[Material sales business - Profit] Maintain profit at FY2023 level due to risks in asphalt prices and passing on prices to clients caused by crude oil prices and exchange rates

[Co-creation business - Sales] In addition to expanding existing businesses, advance into sales business for environment-related products, sports-related business, health-related business, and PPP/PFI business, which are sectors where future growth is expected

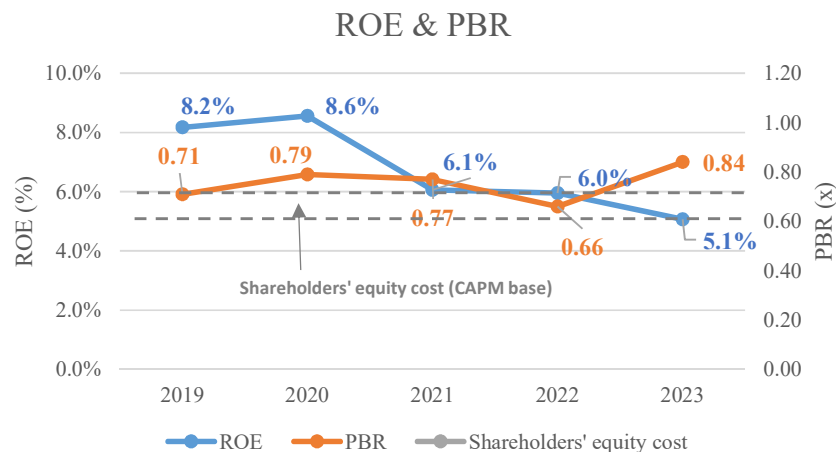
[Co-creation business - Profit] Focus on promoting value-added business development as business with high profitability

[SG&A expenses] Increased due enhancing Headquarters facilities and wage increases, Tsuchiura Techno BASE operational expenses and other personnel investment, core system update expenses, and rebuilding Tokyo Branch and Headquarters

Initiatives to improve corporate value in Mid-term Management Plan 2024

[Measures for realizing management with a consciousness of equity cost and share price]

◇ Current analysis, evaluation, issues



[Current situation assessment]

[Calculation assumptions for shareholders' equity cost] Based on CAPM

Risk-free rate	β (base) value	Market risk premium
Yield on government bonds (10-year) set at 1%	NIPPON ROAD's inherent risks (60 months: TOPIX)	Expected value of excess returns relative to risk-free rate set at 6%

Shareholders' equity cost (CAPM) is recognized as around 5%-6%.

[Assessment]

Considering the return on equity (ROE) of 5.1% (FY2023), sufficient equity profitability has not been achieved to exceed equity cost.

In addition, PBR has remained below 1x, and we recognize the need for improvement, including increased ROE.

We believe the main factors for this to be the decline in material sales business profitability and the increase in the equity-to-asset ratio.

We will aim to achieve ROE of 7% or above in the medium term.

◇ Future initiative policies

◎ Steadily implement business strategy of Mid-term Management Plan

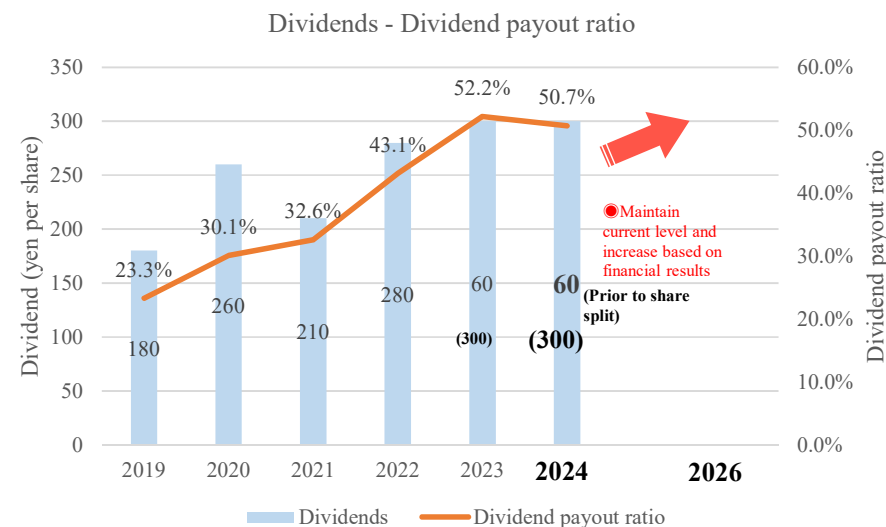
- Construction business: Expand direct orders, business expansion from M&A
- Material sales business: Strengthen recycling business
- Co-creation business: Create new development outside of existing businesses

◎ Enhance shareholder returns

Previous Dividends with target dividend payout ratio of 30%

Future Maintain current level of dividends per share and increase dividend amount based on financial results

Achieve PBR of 1x in FY2026



Measures to improve corporate value in Mid-term Management Plan 2024

[Measures for realizing management with a consciousness of equity cost and share price]

◇ Future initiative policies

◎ Cash flow allocation

Operation CF
(FY24-FY26)

About 28.0 billion yen		
About 13.5 billion yen	About 5.0 billion yen	About 9.5 billion yen
Capital expenditures	M&A investment	Dividends
Construction business 1.5 b. yen		
Material sales business 7.0 b. yen		
Environmental maintenance		
4.4 b. yen		
Systems 0.6 b. yen		

[Capital expenditures]

While further promoting operational efficiency through the use of DX, improve profitability by creating environmental value-added products in addition to achieving GHG reduction targets.

Make investments with consideration for business expansion even in the establishment of business branches and offices.

[M&A investment]

As business expansion and growth sectors, we will strengthen our construction system in the construction business and make investments in sports-related and health-related businesses.

[Dividends]

Promote measures with a consciousness of cash flow allocation.

◎ Strengthen IR activities

● Increase frequency of financial results briefings (1x per year ⇒ 2x)

● Conduct IR activities for individual shareholders and institutional investors

IR meetings

	2019	2020	2021	2022	2023
Meetings	9	8	12	20	26
Participants	9	8	13	28	34

● Report on results and feedback for IR meetings at the Board of Directors

Reports and discussions at the Board of Directors

	2019	2020	2021	2022	2023
Reports/discussions	0	0	6	12	12

● Strengthen information disclosure in English

Information disclosure in English

	Financial results report	Financial results briefing materials	Notice of general shareholders meeting	Integrated report	Mid-term Management Plan	Timely disclosure
Current	○	○	○	○	×	×
Plan	○	○	○	○	○	○

In the future, expand scope to include information that is expected to significantly impact investment decisions such as mid-term management plans and timely disclosure.

◎ Discussions by the Special Committee

Discussions by the Special Committee

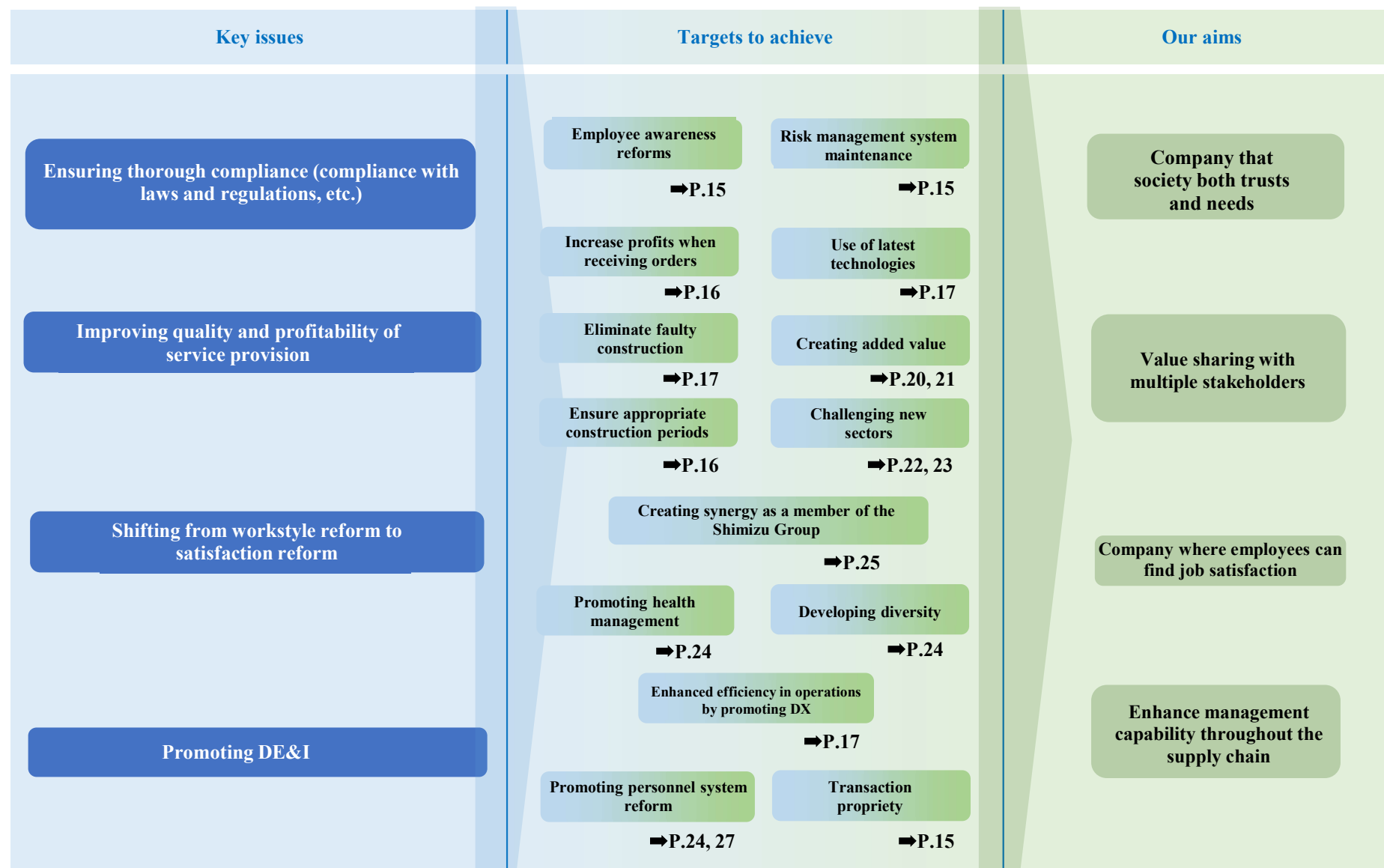
		2022	2023
Discussions	Regular	4	4
	Extraordinary	5	1

NIPPON ROAD has established the Special Committee as an organization to discuss and consider important transactions and actions with our parent company, Shimizu Corporation, or its wholly-owned subsidiaries, from the perspective of protecting the interests of minority shareholders.

Currently, the Special Committee consists of three members selected from among Independent Outside Officers, and through regular committee meetings held once per quarter and extraordinary committee meetings held as necessary, reviews and examines transactions that are considered subject to review or examination and provides advice and counsel to the Board of Directors. The Committee seeks to improve corporate value by ensuring the propriety of transaction terms and conditions and the integrity of relevant processes.

VI Business strategy

Key issues and targets for improving corporate value



VI Business strategy

Ensuring thorough compliance
(compliance with laws and regulations, etc.)

NIPPON ROAD will set our sights on society at large, stand firm on our basic principles, and work in a continuous manner to strengthen our corporate culture of approaching the needs of the society surrounding the corporate group with sincerity



NIPPON ROAD will continue compliance activities in collaboration with Shimizu Corporation

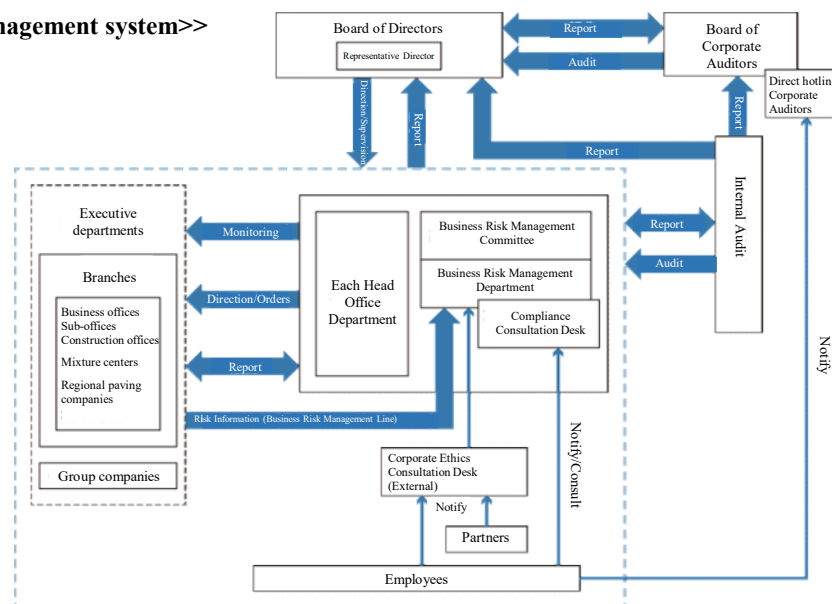
◇Continuous implementation of internal control activities

- Continuous implementation of PDCA activities for elements that comprise internal control structures (organizational structure, position authority/ responsibilities, business system procedures) based on the risk management system
- Regular inspection of various monitoring functions to evaluate results

◇Strengthening compliance awareness

- Shared information and strengthened training in relation to compliance in addition to passing on lessons from major incidents to ensure thorough prevention of recurrence
- Improve compliance awareness and raise awareness to higher levels through the Business Risk Management Committee, the Business Risk Liaison Meeting, etc.
- Appropriate response to information provided to the various reporting hotlines (Compliance Consultation Desk, NIPPON ROAD Corporate Ethics Consultation Desk)

<<Risk management system>>



Improving quality and profitability of service provision

Construction business

◆ Aim for construction business profit of 17.0 billion yen, profit margin of 12.4%

NIPPON ROAD

◆ Aim to maintain stable ratio for direct orders of 50% or above

Direct orders in FY2026

Public: 39.0 b. yen + Private: 19.0 b. yen ⇨ 58.0 b. yen

- Public: Maintain top market share
- Private: Expand direct orders

Securing high-quality orders

- Acquire high-quality orders through designs and proposals
- Sales activities targeting customers with continuing partnerships
- Secure profits based on ensuring appropriate construction periods

Various facilities leveraging NIPPON ROAD's pavement technologies



(Consolidated)

(Unit: Millions of yen)

	FY2023	FY2024	FY2026
	Results	Plan	Targets
Construction business profit	14,501	15,600	17,000
Profit margin	11.0%	11.6%	12.4%

(Non-consolidated)

(Unit: Millions of yen)

	FY2022	FY2023	FY2024	FY2026
	Results	Results	Plan	Targets
Public	38,892	51,747	40,000	39,000
Private	10,546	15,403	18,000	19,000
Direct orders received	49,438	67,151	58,000	58,000
Ratio	44.0%	52.1%	50%	50%

Promote strategic sales activities that divert from conventional activities for receiving orders

- Collect and manage sales information for considering marketing strategies
- Explore new areas through proposals and designs based on customer needs
- Expand orders through collaboration with the Shimizu Group
- Planned development of officers in charge of sales and engineering
- Improve proposal capabilities for comprehensive evaluations that accommodate the diversifying styles of orders

Active participation in peripheral markets centered on NIPPON ROAD's original history in pavement

- Civil engineering construction: Large-scale renewal construction for expressways, renewable-energy-related construction
- Sports-related business: Stadiums, school grounds, and sports facilities construction
- Automotive-related business: Test courses, factory pavement
- Logistics-related business: Pavement and building construction for transportation and logistics facilities
- PPP/PFI business: Participate in transportation infrastructure asset management, sports/park facility PFI

NIPPON ROAD

◆Focus on improving construction profitability

Improve profits through appropriate management

- ◎ Promote cost awareness reforms
- ◎ Strengthen support systems for securing product quality

Continue pursuit of the three actuals (“Sangen Shugi”)

- ◎ Actual place, actual thing, actual fact;
pass on proposed technological abilities based on observation and judgment

Advancement and enhanced efficiency of operations through construction utilizing AI and promoting DX

- ◎ Further promotion of ICT in small-scale projects
- ◎ Enhance efficiency in construction process through use of CIM
- ◎ Pass on individual skills through use of AI

Enrich education and development at the training and research facility "Tsuchiura Techno BASE"

- ◎ Constantly improving the technological abilities of employees
- ◎ Create new added value
- ◎ Improve technological abilities across the entire Group, including affiliate and partner companies



Regional pavement companies

◆ Aim to expand business scale to 22.0 billion yen

Support regional locations from 34 bases nationwide

Regional infrastructure development



Contribute to urban development



Provide spaces for prosperous lifestyles



(Regional pavement companies, total)

(Unit: Millions of yen)

	FY2023	FY2024	FY2026
	Results	Plan	Targets
Orders received	18,192	20,000	22,000

・ Effective management mainly for pavement construction

・ Speedy responses leveraging maneuverability

・ Contribution to regional society

・ Improve quality and enhance efficiency of construction by promoting ICT use in small-scale projects

・ Expand business scale through M&A

Overseas business

◆ Aim for growth to business scale of 5.0 billion yen

Thai Nippon Road



・ Contribute to infrastructure development through advanced pavement technologies

・ Develop high durability technology

・ Enhance sales and construction structures

・ Global expansion as a member of the Shimizu Group

(Overseas business, total)

(Unit: Millions of yen)

	FY2023	FY2024	FY2026
	Results	Plan	Targets
Construction orders received	1,373	3,300	5,000

Nippon Road(M)



Material sales business

◆ Aim for gross profit of 2.5 billion yen, profit margin of 10.4%

・ Strengthen recycling business (asphalt and concrete waste)

→P.21

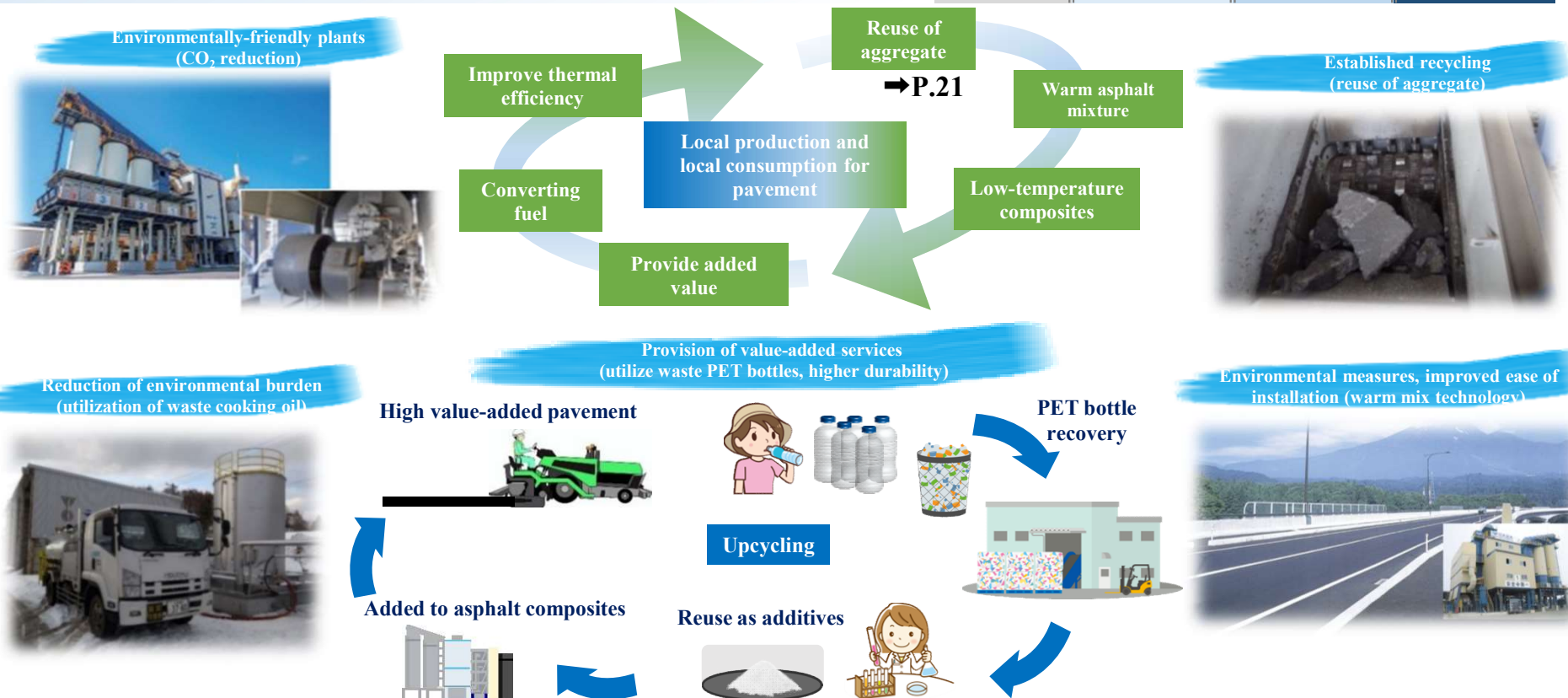
・ Promote environmental measures (GHG reduction)

GHG: Green House Gas

・ Strengthen competitiveness through value-added services

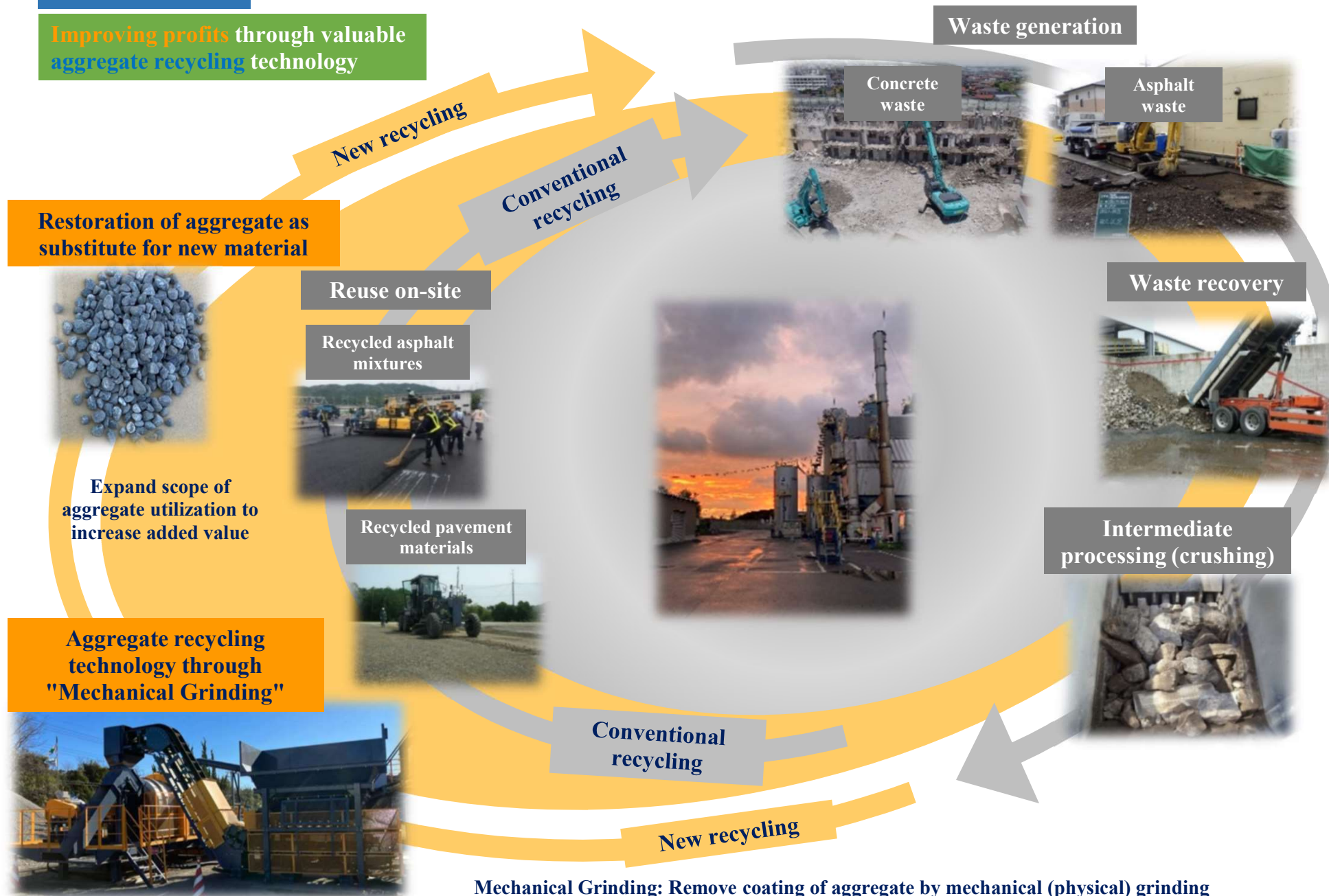
・ Ensure efficient management by consolidating bases and engaging in collaboration

(Consolidated)	(Unit: Millions of yen, thousands of tons, %)		
	FY2023	FY2024	FY2026
	Results	Plan	Targets
Net sales	21,984	23,000	24,000
Manufactured volume	2,315	2,350	2,300
Market share	6.7%	6.9%	7.0%
Total industry volume	34,493	34,000	33,000
Gross profit	2,319	2,400	2,500
Profit margin	10.6%	10.4%	10.4%



Material sales business

Improving profits through valuable aggregate recycling technology



Co-creation (Cc) business

*Changed from "Leasing business, etc." to "Co-creation business" for promoting new business development with multiple stakeholders (Cc: Co-Creation)

◆ Aim for gross profit of 2.0 billion yen, profit margin of 25%

Support workstyles (Multi-JobCar)



Contribute to safety (specialized vehicles)



(Consolidated)

(Unit: Millions of yen)

	FY2023	FY2024	FY2026
	Results	Plan	Targets
Net sales	6,956	7,000	8,000
Gross profit	1,443	1,500	2,000
Profit margin	20.7%	21.4%	25.0%

Existing business

Leasing business

Commercial business

Environmental (recycling) business

Sports-related business

Health-related business

Insurance agency business

Expanded business

· Expand leasing and commercial business

Expand sales of internally developed vehicle "Multi-JobCar" and other specialized vehicles

Expand sales of safety commodities

· Expand business domain through M&A

Sports-related business

Environment-related (recycling) business

Health-related business

· Participate in PPP/PFI business

→P.23

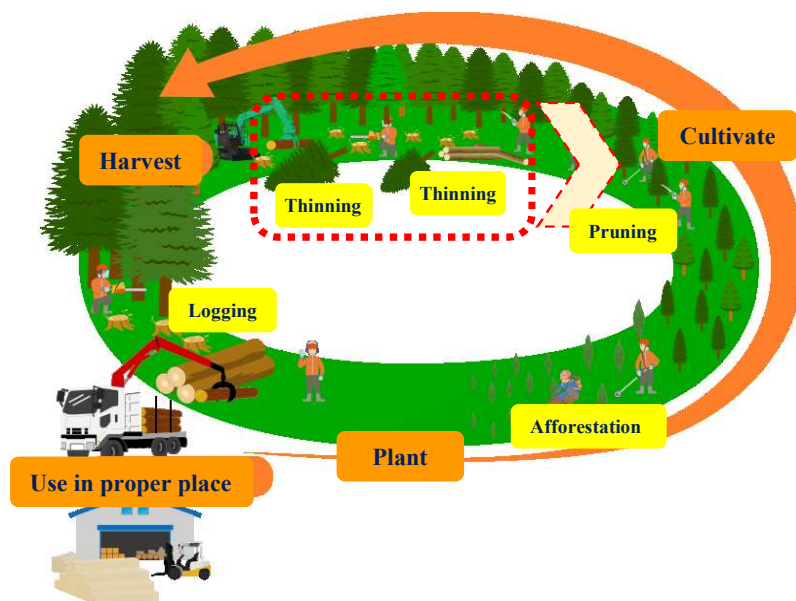
Transportation infrastructure asset management, sports/park facility PFI

Sports facilities



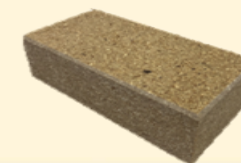
Co-creation (Cc) business

Environment-related (recycling) business



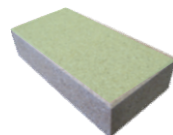
Effective use as carbon-stored wood blocks

Thinned wood



Effective use of a wide variety of waste materials

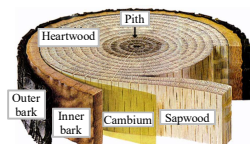
Bamboo



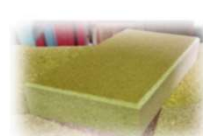
Coffee



Bark

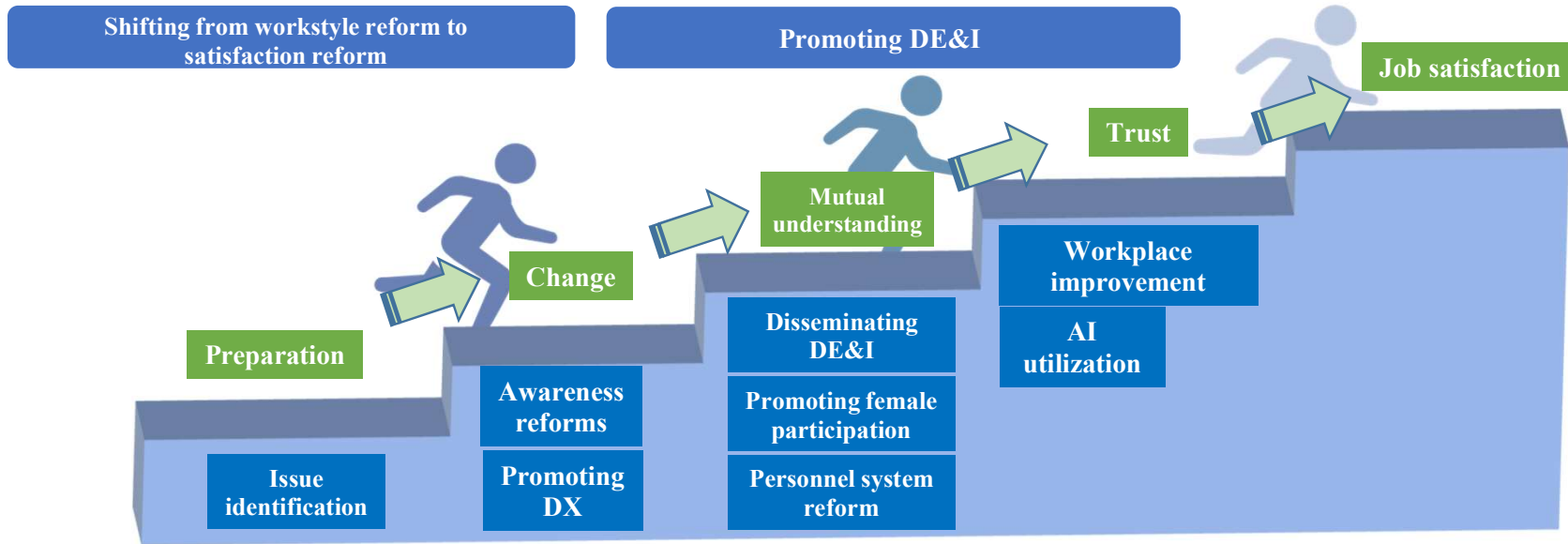


Rice bran



Green tea, black tea, apple





NIPPON ROAD has made progress on workstyle reform, targeting overtime work cap regulations introduced in April 2024. Each unit has identified certain issues faced in reducing overtime hours and providing holidays under our program “Respect 36,” and are undertaking trials of a various selection of measures. Moving forward, we will facilitate new workstyles by further enhancing the efficiency of business operations through DX and providing education on diversity and fairness based on our DE&I policies as we aim to be a company where employees can find job satisfaction by revising our personnel system and considering the potential of AI utilization.

Livable workplaces



Energetic workplaces



Mutually respectful workplaces



Satisfying workplaces



Human capital investment



P.27

Synergy co-creation as a member of the Shimizu Group

NIPPON ROAD is making steady progress on co-creation in a broad range of sectors, including creating new technologies, exchanging personnel, and improving the level of governance, as a prompt for orders of joint ventures in civil engineering



Joint exhibition at trade shows with potential for synergistic effects from new technologies



R&D/DX response



Development and practical application of technology for advanced human recognition that utilizes AI technology

Joint development of value-added products



Joint development of technology able to provide carbon fixation by using biochar as asphalt pavement material

Collaboration in civil engineering construction



Creation of joint ventures to leverage the strengths of each partner mainly in public construction



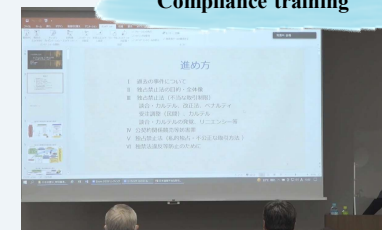
Joint ventures in civil engineering

Collaboration in overseas business



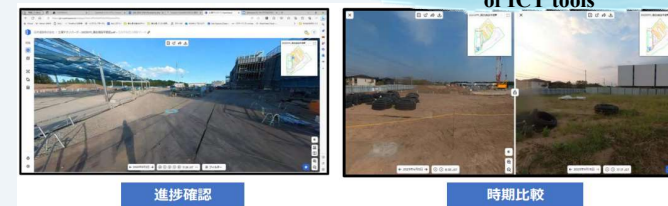
Engagement in infrastructure development and other overseas construction through collaboration

Compliance training



Sharing information and education on strengthening governance and thorough compliance

Development and utilization of ICT tools



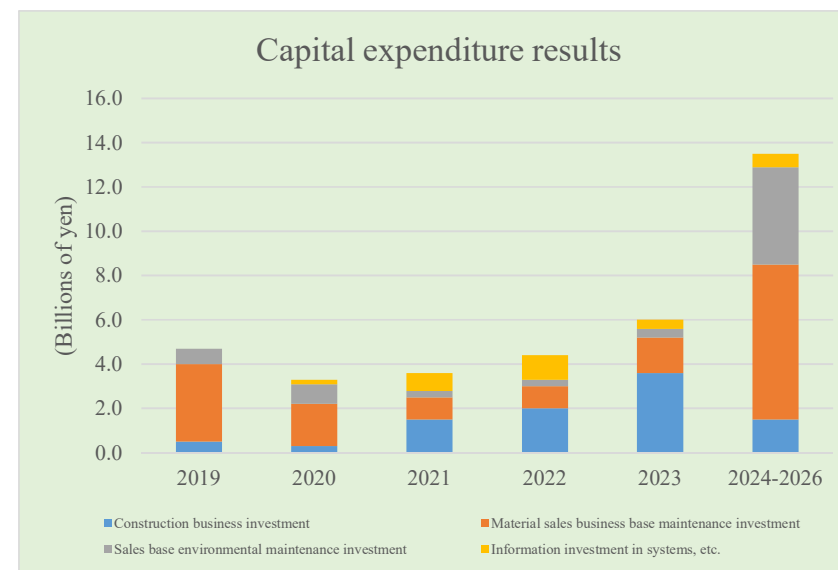
Development and utilization of systems able to identify state of progress on site in real time to realize efficient on-site management

VII Growth strategy

Investment plan

In order to establish stable management foundations, NIPPON ROAD will implement capital investments in growth sectors and environmental burden reduction with a sense of speed

Capital expenditures	13,500 million yen
■ Construction business investment <ul style="list-style-type: none"> • New technology (construction) development • Productivity improvement • Introduction of safety measures/environmental measures machinery 	1,500 million yen
■ Material sales business base maintenance investment <ul style="list-style-type: none"> • Environmental burden reduction devices (CO₂ reduction, air pollution prevention) • Equipment for conducting recycling business • Maintenance and renewal 	7,000 million yen
■ Sales base environmental maintenance investment <ul style="list-style-type: none"> • Working environment improvement 	4,400 million yen
■ Information investment in systems, etc. <ul style="list-style-type: none"> • Enhanced efficiency in management operations (saving labor) 	600 million yen
*Does not include capital expenditures for the leasing business	
M&A investment	5,000 million yen
■ Expand business scale/scope <ul style="list-style-type: none"> • Construction business: Expand scale of existing scope <ul style="list-style-type: none"> Civil engineering and pavement peripheries • Material sales business: Renew bases/expand recycling business <ul style="list-style-type: none"> Expand scope of recycling business • Co-creation business: Measures for new business <ul style="list-style-type: none"> Sports facility management Eco-product sales 	5,000 million yen



Sports-related facilities



Production and sales of eco-products

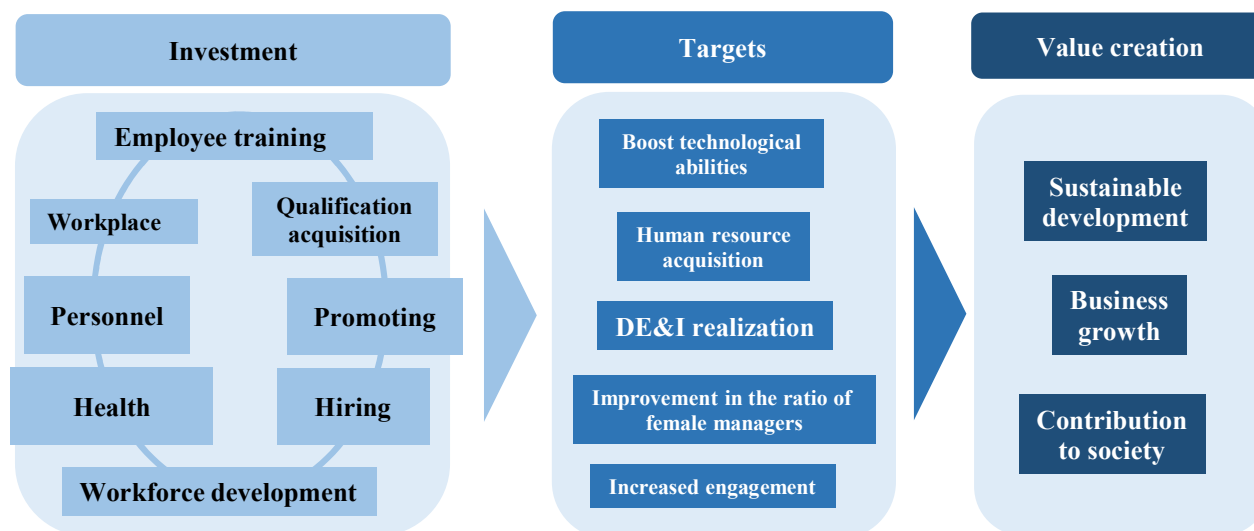


Human capital investment

NIPPON ROAD will continue to make active investments in increasing employee and organization engagement, which we consider to be essential for the sustainable development of the NIPPON ROAD Group

(Consolidated)		(Unit: Millions of yen)		
		FY2022	FY2023	FY2024-FY2026
	Results		Results	Three-year plan
Human capital		570	555	2,942
Technology development		545	675	2,300
Environment-related		1,723	3,634	7,047

Accumulation of sundry expenses (including personnel expenses), depreciation, etc., instead of direct expenditure on equipment



"Tsuchiura Techno BASE," which started operations in April 2024



		2024	2025	2026
Personnel system	Revise employee categories			
	Extend employment period			
Employee education	Employee training	Utilization of Tsuchiura Techno BASE		
	Qualification acquisition support			
Improving the workplace environment	Base maintenance for each location			
	Promoting DX	IT/AI utilization		
DE&I	Health management	Health and Productivity Management Outstanding Organization		
	Satisfaction reform	Eruboshi and Kurumin certifications		

Human capital investment



Tsuchiura Techno BASE



Passing on Nippon Road's technology and skills and realizing education personalized for our employees by establishing a multipurpose complex that combines a training center, technical research laboratory, and machinery center

Test yard for technical exercises and new technology development



Provides ability to conduct various practices, including basic practical exercises involving pavement, gaining experience with special construction methods, and reviewing new technologies within research facility grounds

Walking and learning in outdoor areas



Technical studies made more effective through direct interaction with a wide variety of special pavement types located outdoors

Workspaces providing options for choosing working locations



With the introduction of hot-desking, aiming to activate internal communication and enhance operational efficiency

Machinery wing

Test yard

Machinery storage

Machinery storage

Research and training wing

Dormitory wing

Furnished with dormitory wing to facilitate long-term training



Furnished with dormitory in order to facilitate the provision of thorough education for employees active in a wide variety of job roles and of various ages

Grand stairwell centered around inspiring communication



Provides an environment that is employee-friendly and encourages casual interactions, giving employees the opportunity to engage in natural conversations, centered around the grand stairwell

Technological development for the next generation

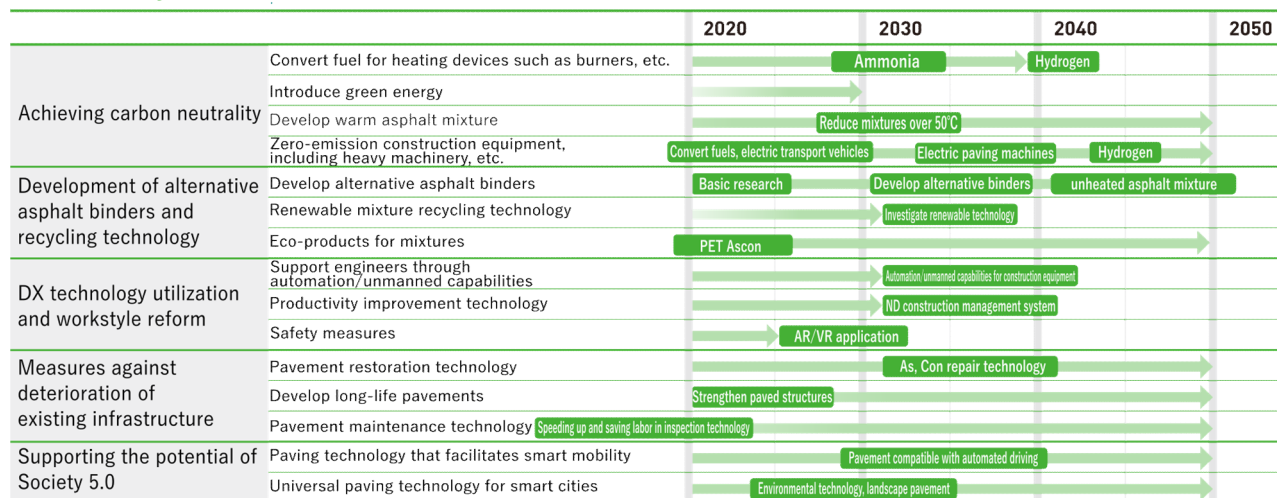


Development of environmentally friendly technologies in line with the SDGs, carbon neutrality, etc.; engagement in practical exercises utilizing advanced test equipment

Technology development investment
(medium to long term technology development plan)

NIPPON ROAD will make active investments in facing the target year of the SDGs in 2030 and shifting toward achievement of the new technology development plan "Nichido Mirai Tech-Plan 2050" in 2050

Roadmap of "Nichido Mirai Tech-Plan 2050"



- Achieving carbon neutrality: Develop warm asphalt mixture, zero-emission construction equipment including heavy machinery, etc.
(develop cold mixtures for reducing temperatures of 50°C, convert fuel to waste cooking oil, etc.)
- Development of alternative asphalt binders, recycling technology: Develop renewable mixture recycling technology
(develop alternative binders for fossil fuel asphalt, advance mixture renewable technology)
- DX technology utilization and workstyle reform: Support engineers through automation/unmanned capabilities, develop productivity improvement technology
(develop sensing technology using AI, develop non-contact compatible quality management system)
- Measures against deterioration of existing infrastructure: Develop long-life pavements, advance pavement maintenance technology
(speed up pavement analysis management technology, establish labor-saving system)
- Supporting the potential of Society 5.0: Improve paving technology that facilitates smart mobility
(advance automation technology including for slope machinery, advance universal paving technology)

(Consolidated)

(Unit: Millions of yen)

	FY2022	FY2023	FY2024-FY2026
	Results	Results	Three-year plan
Human capital	570	555	2,942
Technology development	545	675	2,300
Environment-related	1,723	3,634	7,047

Accumulation of sundry expenses (including personnel expenses), depreciation, etc., instead of direct expenditure on equipment

Solar power pavement



Unmanned construction

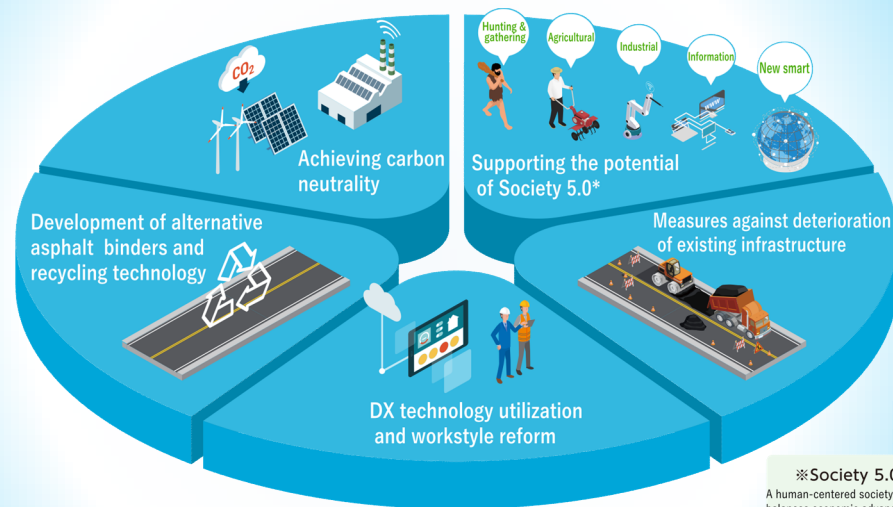


Aggregate recycling technology



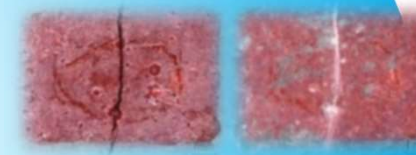
Venturing into the unknown path

Nichido Mirai Tech-Plan 2050



※Society 5.0
A human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space (super smart society)

Self-healing



Alternative asphalt pavement



Pavement analysis technology



Carbon-anchored pavement

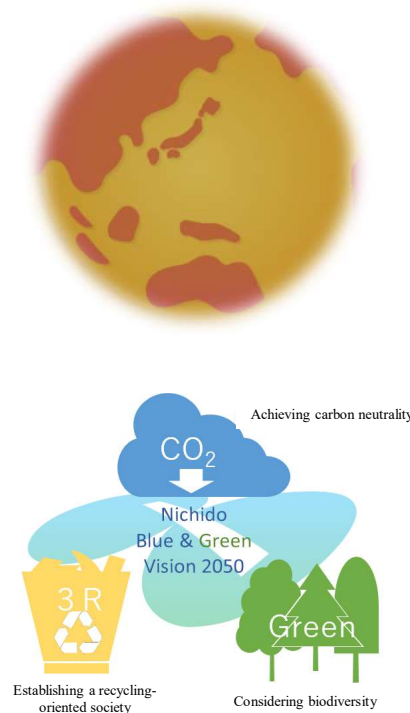
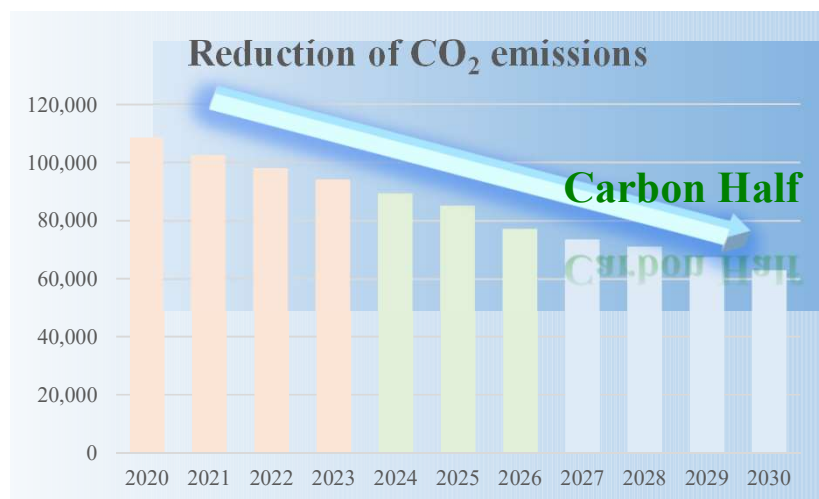


Visualization technology



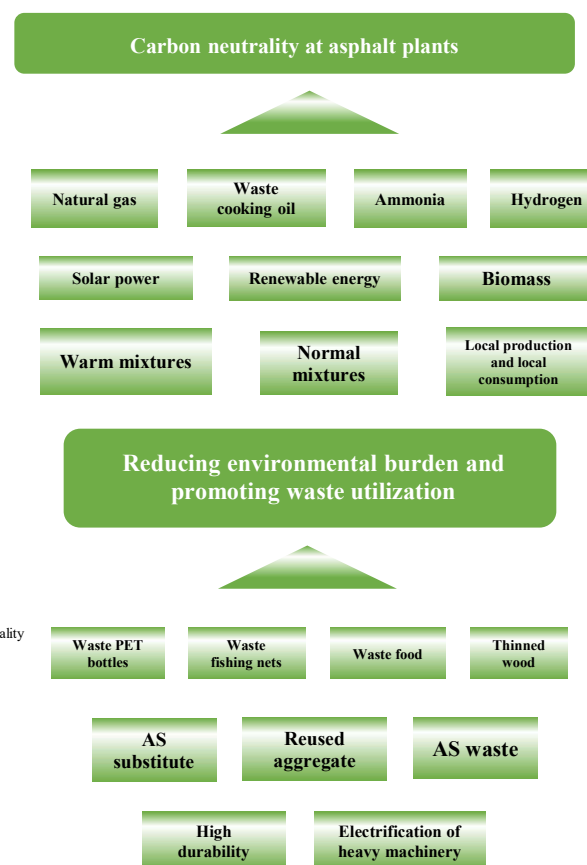
Environment-related investment

Aiming to halve carbon emissions by 2030 and achieve carbon neutrality by 2050, NIPPON ROAD will make flexible investments in line with the policies of "Nichido Blue & Green Vision 2050"



(Consolidated) (Unit: Millions of yen)

	FY2022	FY2023	FY2024- FY2026
	Results	Results	Three-year plan
Human capital	570	555	2,942
Technology development	545	675	2,300
Environment-related	1,723	3,634	7,047



Carbon neutrality at asphalt plants

Reducing environmental burden and promoting waste utilization

Reuse of waste PET bottles

Restoration of aggregate



Preserving a bountiful & beautiful earth for the next generation

Nichido Blue & Green Vision 2050

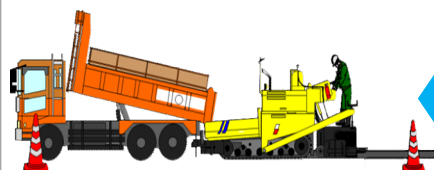
Natural gasification



Reuse of waste fishing nets



Use of waste cooking oil



Use processed material in pavement



Waste cooking oil used as heating fuel



Restored as waste cooking oil

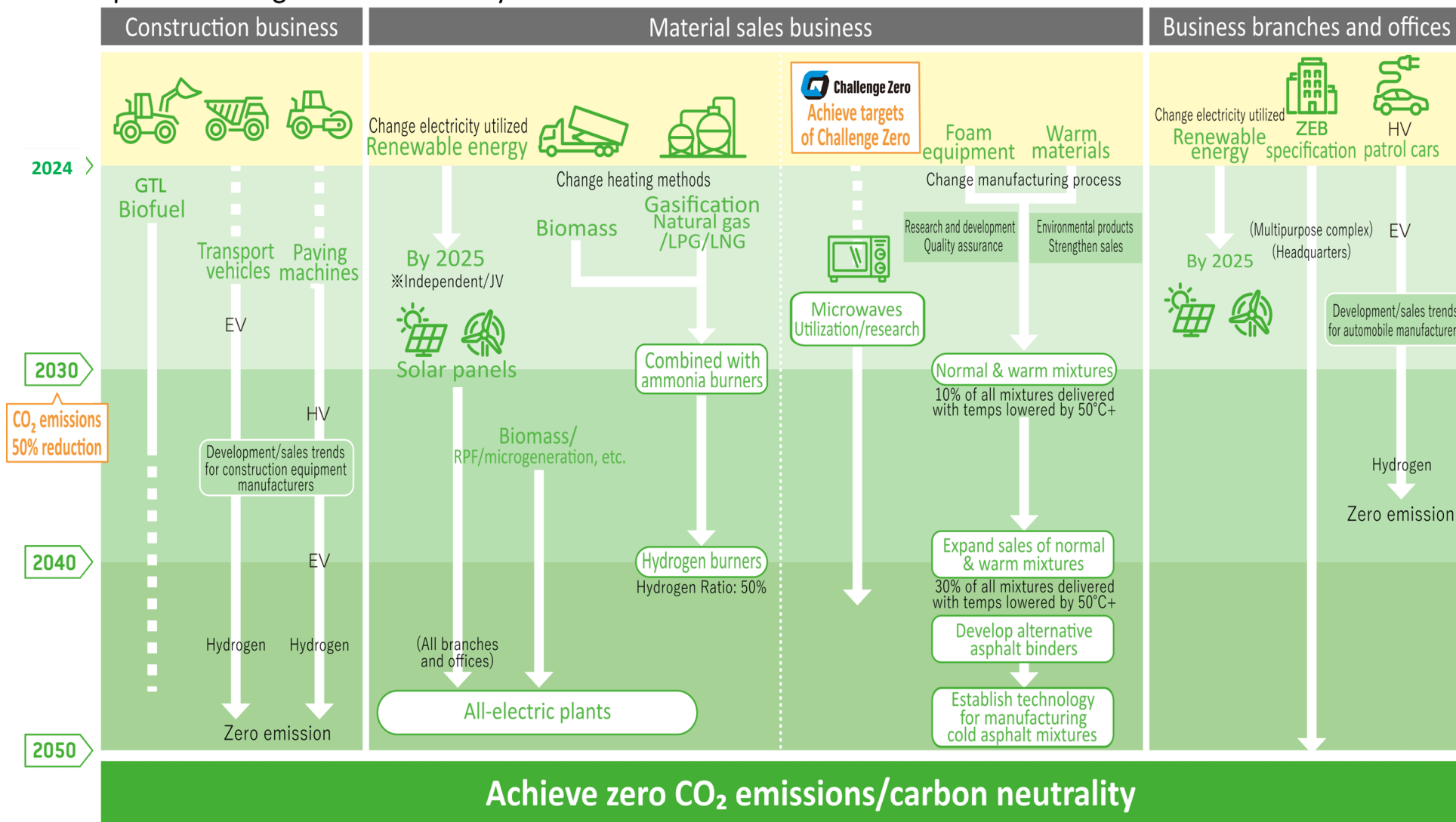


Use of cooking oil in homes, etc.

Effective use of thinned and waste wood



Roadmap to achieving carbon neutrality in 2050



Continue to support society through technology and work toward becoming a company that protects prosperous lifestyles and human lives

**Development linked to the next generation
as a 100-year company**

Value co-creation with multiple stakeholders

**Improve corporate value
through core competence**

**Contribute to multiple
stakeholders**

**Sustainable development of
supply chains**

Reference materials

<Corporate overview>

Name of Company	THE NIPPON ROAD CO., LTD.
Date Established	March 10, 1929
Headquarters	7F, Seavans South Building, 2-3, Shibaura 1-chome, Minato-ku, Tokyo 105-0023 Japan
Representative	Toshiyuki Ishii, Representative Director and President
Paid Up Capital	12,290.26 million yen
Number of Employees	1,622
Stock Exchange	Tokyo Stock Exchange Prime Market
Total Number of Authorized Shares	175,000,000 shares
Total Number of Issued Shares	43,946,340 shares
Share Unit	100 shares

*As of March 31, 2024

[Business branches and offices]

Headquarters		Minato-ku, Tokyo
	Technical Research Laboratory	Ota-ku, Tokyo
	Tsuchiura Techno BASE	Tsuchiura-shi, Ibaraki
Branches	Tokyo Branch	Ota-ku, Tokyo
	Kitakanto Branch	Saitama-shi, Saitama
	Chubu Branch	Nagoya-shi, Aichi
	Kansai Branch	Osaka-shi, Osaka
	Shikoku Branch	Takamatsu-shi, Kagawa
	Chugoku Branch	Hiroshima-shi, Hiroshima
	Kyushu Branch	Fukuoka-shi, Fukuoka
	Hokushinetsu Branch	Niigata-shi, Niigata
	Tohoku Branch	Sendai-shi, Miyagi
	Hokkaido Branch	Sapporo-shi, Hokkaido
Offices	52 business offices, 24 sub-branches, 18 construction offices, 89 manufacturing and sales bases	

[Affiliates] Within scope of consolidation

Regional paving companies	34 companies
Domestic subsidiaries under direct control	5 companies
Overseas subsidiaries under direct control	2 companies
Others	2 companies

<Corporate philosophy>



"The Analects and the Abacus" (Shimizu Corporation corporate creed)

[Corporate creed]

"Inventive improvement" "Harmonious fellowship" "Enhancing trust"

[Corporate identity]

- Use inventiveness to work toward improving technologies and improving operations
- Recognize our responsibilities, planning carefully and continuing steady execution
- With sincerity, work toward mutual harmony and preserving norms
- Create bright workplaces and happy homes with healthy bodies and minds
- Contribute to society by concentrating on work and helping society grow

[Corporate philosophy]

By advancing ESG management, become a company that is trusted by society and viewed as indispensable while also contributing to creating a sustainable society

[Management vision]

"A company that cares for its employees"

"Contribute to society through road construction"

"Enriching corporate governance"

[Basic management policies]

- | | | |
|--------------------------|---|--|
| Health and Safety Policy | : | We thoroughly adhere to a safety-first principle that prioritizes the respect for human life and continuously improve the occupational health and safety management system to establish a "culture of safety" |
| Quality Policy | : | As a company that aims for sustainable development as a trusted entity by all stakeholders, we will implement a quality management system and strive for continuous improvement |
| Environmental Policy | : | In accordance with our environmental vision "Nichido Blue & Green Vision 2050," we will promote an environmental management system for reducing global environmental impact and contribute to realizing a sustainable global environment |

<NIPPON ROAD Group's businesses>

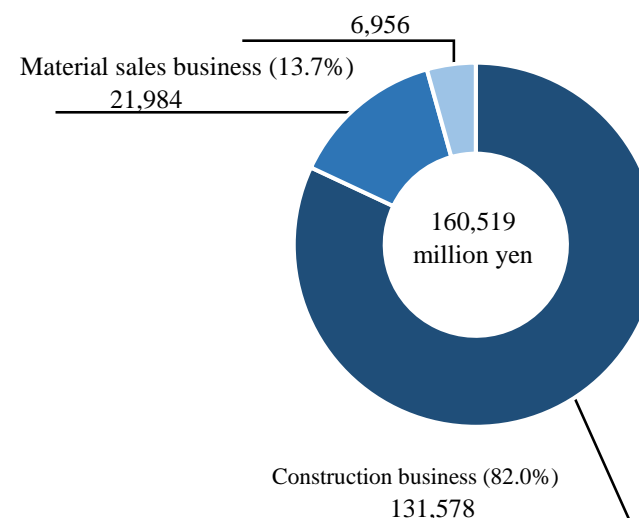
[Main businesses]

Construction business	Developing and laying pavement and engaging in engineering, building and other business involved in overall construction
Material sales business	Manufacturing asphalt and emulsion and engaging in other business involved in production, sales and recycling of pavement and materials
Co-creation business *	Engaging in the leasing business of vehicles and equipment for office work, the real estate business, development and sales of computer software, sales of office work equipment, operating insurance agencies, planning and administration of sports facilities, and other businesses

* Changed from "Leasing business, etc." to "Co-creation business" for promoting new business development with multiple stakeholders

[Net sales by business (Consolidated)]

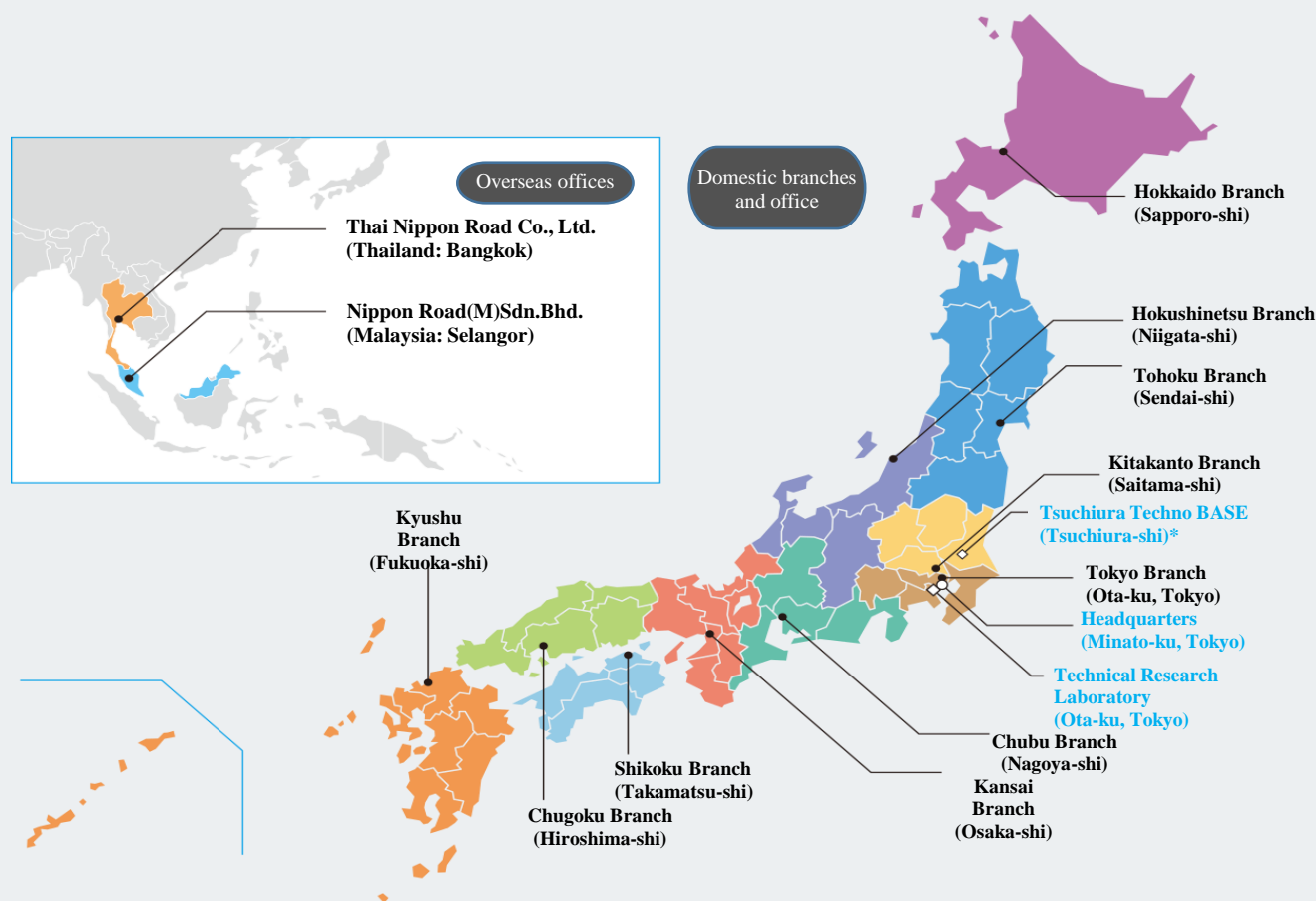
Leasing business, etc. (4.3%) (Fiscal year ended March 31, 2024)
(Millions of yen)



[Breakdown of construction business]

NIPPON ROAD (Non-consolidated)	115,921
Total regional paving companies (34 companies)	17,835
Overseas offices	2,342
Domestic subsidiaries under direct control (2 companies)	830
Total	136,929
Consolidated eliminations	(5,351)
Construction business total	131,578

Summary of branches and offices



*Tsuchiura Techno BASE began operation in April 2024

<Domestic subsidiaries under direct control>

- ND Leasing System Co., Ltd.
Comprehensive leasing business, sale of various materials, development and sale of computer software, sale of office equipment
- NDIC Co., Ltd.
Insurance agency business
- Sports Media Inc.
Planning and operation of sports facilities, etc.
- Kankyoryokka Co., Ltd.
Landscaping business

<Regional paving companies>

With the objective of strengthening NIPPON ROAD's non-consolidated construction structure, the Company has been successively creating "regional paving companies" across Japan since around 1993. At the time, almost all projects were subcontracting projects from NIPPON ROAD, but as time went on, owing to the trend of stronger regional requirements for public works construction (local production and local consumption), these companies have taken root in their communities. At present, with more clearly defined uniqueness, the companies have developed into "regional paving companies," and as of March 31, 2024, there are 34 such companies nationwide. Each regional paving company has an office next to a business office of NIPPON ROAD.



Future-oriented declaration

Towards the 100th anniversary of our founding, we declare that all officers and employees of the Nippon Road Group will work together to strive for creativity, to quickly read the changes of the times, and to become a company that is needed to create a sustainable society.

Statements in this document regarding matters concerning future plans, initiatives, and business results of the Nippon Road Group are based on assumptions and opinions that are determined by the Company and predicated on information available at the current point in time. Future business results may differ from the Company's projections due to a wide variety of factors, such as future changes in the business environment.

Inquiries

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Telephone: +81-3-4235-3626